

FINANCIAL TIMES

US DEFICIT

The real test
lies ahead

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Tuesday October 2 1990

World News

Bush seeks to reassure world leaders on Gulf crisis

President Bush yesterday sought to reassure other world leaders about US intentions in the Gulf crisis, following mounting worries about a slide into war.

Mr Bush said Iraqi behaviour was a challenge to the entire world's vision of the future - "a test which we cannot afford to fail". Page 24, Gulf crisis, Page 2.

Thaw in relations

Chinese prime minister Li Peng used his National Day speech to signal Peking's willingness to normalise relations with Vietnam. Page 8; US may lift aid curbs, Page 8.

Serbs proclaim split

The Yugoslav state presidency called an emergency session after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy. Page 7.

Bomb inquiry opens

Pan Am called for more government help for airlines in the fight against terrorism on the first day of the Lockerbie air disaster inquiry in Scotland. Page 14.

Korean unity hope

South Korean president Roh Tae Woé said that newly established diplomatic ties with Moscow would encourage reunification of the Korean peninsula by spurring changes irresistible to North Korea. Page 8.

Beirut rally shelved

Unidentified gunmen opened fire on a Beirut rally attended by hundreds of followers of rebel Christian General Michel Aoun, killing 12 people and wounding at least 36, witnesses said.

Walesa on hustings

Lech Walesa, ahead of his chief rival, prime minister Tadeusz Mazowiecki, launched his campaign for the Polish presidency with a planned mass rally in Toruń. Page 14.

Indian court order

India's Supreme Court ordered the government to halt its job quota programme for lower castes, hoping its temporary injunction will stop a wave of student protests and suicides. Page 8; Singh regrets missed opportunity, Page 5.

Troops shoot youths

British soldiers shot dead two Irish teenagers when they crashed through a checkpoint in a stolen car in West Belfast. A third teenager suffered arm injuries. Page 12.

End to persecution

The Soviet parliament ended decades of state persecution of organised religion by giving final approval to a law guaranteeing freedom of worship. Page 3.

Security reviewed

Foreign ministers from 35 western and eastern European countries began a two day meeting to lay the foundations of a new European security structure. Page 3.

Shares 'no gift'

Ronald Li, the former chairman of Hong Kong's stock exchange, on trial on corruption charges, yesterday denied he was receiving any "reward" when he was handed 700,000 free shares. Page 8.

Radio station razed

Gunmen broke into a Nicaraguan radio station critical of the government and opposition Sandinista party, doused equipment with petrol and set it on fire. Workers' Front, defiant, Page 3.

Migrants may starve

Sudan is on the brink of a famine worse than the one in Ethiopia in the mid-1980s, but the ruling military junta refuses to acknowledge the threat, relief officials and diplomats said.

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CRISIS IN THE GULF

France denies negotiating with Iraq on Gulf conflict

By Ian Davidson in Paris

IRAQI insinuations that some form of negotiation on the Gulf crisis is under way between Paris and Baghdad have been roundly denied by the French government.

The Elysee Palace said yesterday that the only contacts between the two governments were of a purely routine diplomatic character, "without any form of relation to a negotiation".

The Iraqi claims were followed yesterday by an announcement by the official Iraqi news agency that nine French hostages would be released in Baghdad.

But the French presidential spokesman said the release of the hostages did not essentially change the situation, since France expected the release of all the hostages, French and foreign.

He said that the only diplomatic contacts between the two governments were concerned with problems "related to the unacceptable hostage situation".

The conciseness of President François Mitterrand's slightly more conciliatory speech at the UN last week, the Iraqi allegations over the weekend, and yesterday's hostage release, could look like a French attempt to establish a special position in the Gulf crisis, in line with its long-standing



Mitterrand: conciliatory

ing policy of friendship with Baghdad.

But western diplomats discount such suspicions, and suggest instead that it is probably Mr Saddam Hussein, the Iraqi president, who is trying to drive a wedge between France and its partners.

In any case, they point out, President Mitterrand's proposal of negotiations could only be operative after UN Security Council demands had been met - the release of all hostages and the withdrawal of all Iraqi forces from Kuwait.

Mr Mitterrand put forward a four-point plan for a resolution of the Gulf crisis. The main novelty in his proposals was the careful avoidance of direct mention of restoring the al-Sabah family as Kuwait's rulers.

The Iraqi leadership has seized on the French proposals as a positive gesture, focusing on the linkage, after an Iraqi withdrawal from Kuwait, between a resolution of outstanding Middle East problems related to the Arab-Israeli conflict.

In New York, meanwhile, Mr Mark Eyskens, Belgium's foreign minister, said in a Belgian radio interview that Mr Mitterrand's peace proposals did not tally with repeated calls in EC capitals for a joint foreign policy approach by the European Community, Eyskens adds from Brussels.

The minister said there had been no EC involvement in Mr Mitterrand's proposals. "Some regard this French initiative as premature. I may personally add that the whole initiative was not considered within the European Community," Mr Eyskens said.

Mr Hosni Mubarak, the Egyptian president, yesterday also criticised Mr Mitterrand's plan for suggesting that elections be held in Kuwait after a possible Iraqi withdrawal.



French soldiers arriving in the Saudi port of Yanbu to head for the Iraqi border area

Former SAS director to command British forces

A FORMER director of the Special Air Service, the British army's elite special forces unit, was named yesterday to take command of British military operations in the Gulf, writes David White, Defence Correspondent.

The announcement of Lt Gen Sir Peter de la Billière's appointment came as the first elements of a 5,000-strong armoured brigade, the first British ground combat troops committed to the operation, were under way to serve alongside US marines in Saudi Arabia.

Extensive Middle East experience was clearly a big factor in the choice of Gen de la Billière to command Britain's land, sea and air forces in the region.

British ground-based forces have so

far been commanded by Air Vice Marshal Sandy Wilson, who will remain as number two. The appointment of a more senior overall commander reflects the sharp increase in the size of British forces committed to the Gulf - now about 15,000, plus about 2,000 medical personnel - and the need for UK representation at a suitable level in the emerging allied command structure.

The UK's 7th Armoured Brigade, which has begun shipping tanks and other vehicles and equipment from its northern German base, will operate alongside the US 1st Marine Expeditionary Force in Saudi Arabia's north-east coastal region.

Mr Tom King, defence secretary, said

the location was appropriate for logistical reasons and the British force's heavy Challengers would complement the US marines' mostly lighter tanks.

The US is to provide attack and reconnaissance helicopters to support the British brigade.

The size of the UK forces has already been increased from the initial estimate of 6,000-8,000 men by the addition of logistic support units.

Mr King said command and control arrangements were being settled. Any use of British forces in combat would be decided jointly with the Saudis.

He added: "The command arrangements we have agreed provide for UK forces to be placed under tactical con-

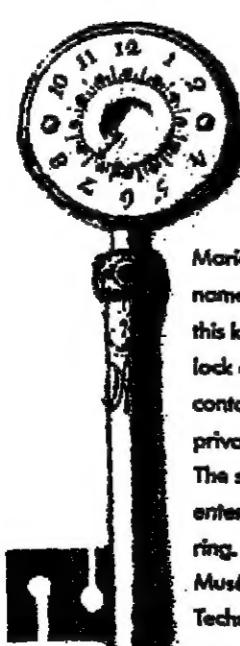
trol of a US commander where this makes military sense."

Gen de la Billière said he was confident about working with American forces. He expected to consult US commanders on a daily basis.

The general, who is 55 was on the point of retiring from the army, won the Military Cross in Oman in 1959 during an assault on Jebel Akdar, a rebel held bastion. He also served in Aden again in Oman as commander of SAS anti-insurgency operations in the southern province of Dhofar in the early 1970s, and in Sudan. He said yesterday that his knowledge of the Arabian peninsula "should help mutual understanding at the highest level".

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Dubai looks doubtfully for the silver lining

Victor Mallet sees the emirate put on a brave face

IF THE optimists at the Chamber of Commerce are to be believed, Dubai will be to the Gulf crisis what Bangkok was to the Vietnam war, a safe haven for regional trade and prostitution except a "rest and recreation" centre for foreign troops.

"Dubai", says one banker, "will always find an angle." A government official, watching the dhows plying their Gulf trade up and down the Creek which bisects the city, recalls the stability of the emirate during the Iran-Iraq war. "We've always managed to make the most of whatever happens in the area," he says.

No-one can doubt Dubai's commercial ingenuity and flexibility. The airport now has a duty free shop for *visiting* passengers. Next year's "Dubai 91" was transformed with uncanny foresight from a simple international air show into an aerospace and defence exhibition (including military equipment) shortly before the Iraqi invasion of Kuwait.

Businessmen are on hold and credit is hard to come by. The number of business visitors has declined sharply, leaving hotels and aircraft half empty (despite an initial boost to air traffic caused by the flow of refugees and the diversion of flights from the northern Gulf). Housing rents have stopped rising, despite the influx of Kuwaiti refugees.

"We are losing money like hell," says one manager for a European airline which is considering the suspension of flights to Dubai. According to a local businessman, it is a case of "In God we trust - strictly cash please".

Tourism, a new industry for Dubai which attracted 20,000 visitors last year, has been severely affected by cancellations. Some holidaymakers have refused offers of one week's free for the price of one.

Trade, Dubai's life-blood, is suffering, too, although Iran with its growing oil revenues is likely to become an increasingly important destination for re-exporters.

The UAE authorities have so far failed to persuade Lloyd's underwriters to discriminate between the northern and southern Gulf in case he needs to escape. However, much he may be exaggerating the physical dangers of life in the UAE, such precautions can scarcely inspire confidence in a potential investor.

On 1,800 citizens destined for Kuwait. Advertising agencies have been hit hard because Kuwait was a big spender for the industry, while BP in Dubai was unlucky enough to import refined oil from Iraq for processing into lubricants and to export much of its output to Kuwait.

Banks are still trying to recover from the outflow of money which accompanied the post-invasion panic of early August. Mr Abdulla Makti al-Hammar, the central bank governor, says commercial bank deposits fell by only about 6 per cent up to August 18, while bankers estimate that the average drawdown could have been as high as 20 per cent. Inflation which was probably alleviated by injection of liquidity from the authorities and "gifts" of hundreds of thousands of dinars to Arab citizens to deposit in their accounts.

Local banks were generally able to place transfers from dinars into dollars with their affiliates abroad, while local banks with government shareholdings received government deposits leaving private local banks with the most severe problems.

Mr al-Hammar last week said the crisis confirmed the long-acknowledged need for mergers between the weaker banks. What the UAE's commercial bankers fear now is another round of capital flight if war breaks out in the Gulf, and they hope the region's central banks have drawn up adequate plans to co-operate in an emergency.

"Business as usual" is the official cry in the UAE, but everyone knows it is not entirely true. One foreign businessman in Dubai has a four-wheel-drive vehicle at the ready and packed with fuel, water and gas masks in case he needs to escape. However, much he may be exaggerating the physical dangers of life in the UAE, such precautions can scarcely inspire confidence in a potential investor.

Israel to begin issuing gas masks to civilians

By Hugh Carnegy in Tel Aviv

THE Israeli authorities, concerned by threats of attack by Iraq, said last night that protective kits against chemical weapons and against which the defence forces have virtually no defence.

The government has resisted public pressure in the early stages of the Gulf crisis to take such a step, which involves the distribution of more than 4.5m gas mask kits stockpiled by the army, for fear of inducing panic. He pointed to pre-emptive strikes planned by the pro-emptive strike.

The army said the decision contained no such signal. Officials said it was in line with a decision taken months ago to provide the population with gas masks, though implemented earlier than planned.

NEWS IN BRIEF

Iran in talks on renewing Saudi links

MR Ali Akbar Velayati, the Iranian foreign minister, and his Saudi counterpart, Prince Saud al-Faisal, met in New York to discuss resumption of diplomatic relations 2½ years after they were severed, Iran's official news agency said yesterday. AP-DJ reports from Nicola.

IRNA said the meeting took place on Sunday at the United Nations headquarters. The two foreign ministers also discussed the Gulf crisis. It was the first time that ranking officials from the two countries have met since the rupture of ties.

IRNA said Mr Velayati told Prince Saud that the main obstacle for resumption of relations was the dispute over the number of Iranians allowed into Saudi Arabia to worship at Islam's holiest shrines at Mecca and Medina.

Jordan bans trucks

Jordan banned trucks bound for Saudi Arabia or other Gulf states from crossing its territory yesterday, a security official said. Reuter reports from Amman.

He said the measure was in reprisal for Riyadh's refusal to admit Jordanian trucks taking goods to Saudi Arabia and was the latest sign of worsening relations between Jordan and Saudi Arabia since the Gulf crisis began.

British spurn nuclear weapons

British forces will not use battlefield nuclear weapons to reply to an Iraqi chemical attack, the commanding-in-chief of the British Army on the Rhine said yesterday. PA reports from Bremerhaven. "It's never ever been even suggested to me," added General Sir Peter Inge. Sunday newspapers reported an unnamed senior officer as making the suggestion.

Air India costs airlift

The shift of 170,000 Indian refugees from Kuwait and Iraq will eventually cost more than \$25m (258m). Air India disclosed yesterday, writes Paul Abrahams in London.

The operation, which has involved 337 specially chartered flights carrying about 80,700 refugees, has already cost about \$1m. At least 300 further trips will be needed over the next four weeks to transport the remaining 90,000 refugees still in the area, according to Mr Jitender Bhargava, chief public relations manager at Air India.

Thatcher proposes reparations

Mrs Margaret Thatcher, the British prime minister, is seeking the support of other members of the UN Security Council for a new resolution which would oblige Iraq to pay reparations for its actions in Kuwait, writes Robert Macther in New York.

Mrs Thatcher put forward her proposals in talks with US President George Bush on Sunday and the Emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah, yesterday.

VENEZUELA, which has the largest reserves of crude oil in the western hemisphere, last night proposed an urgent conference of producer and consumer nations to consider measures to stabilise petroleum prices, Michael Littlejohns, UN Correspondent, writes.

President Carlos Andrés Pérez made the proposal in an address to the UN General Assembly. He said the conference should be under UN auspices and be preceded by meetings of Opec and the International Energy Agency.

Neither Opec nor the industrialised world could allow about 10 per cent increases, he said. Nor could they tolerate equally abrupt drops in price once the Gulf crisis was over.

"Such excessive fluctuations are harmful to all, consumers and producers alike, and only favour speculators who do not care much about the well-being of nations or the world economy," he said.

Alarmed by the effects of soaring oil prices on the poorest countries, UN officials were enthusiastic about his proposal. But they also observed that the Gulf producers, as well as the US and Britain, had been cool in the past to UN involvement in pricing arrangements.

However, Venezuela's ready agreement to a recent request by Washington to raise oil production to 2.5m b/d might influence reaction to Mr Pérez's initiative.

Oil prices fell yesterday following calls by Iraqi President Saddam Hussein for dialogue to resolve the Gulf crisis, writes Steven Butler in London. North Sea Brent crude oil for November delivery was trading about \$1.30 a barrel lower at \$38.15.

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AMERICAN NEWS

Ministers prepare for European security summit

By Robert Mauffiner, Diplomatic Editor, in New York

FOREIGN ministers from 35 Western and Eastern European countries, the US, the Soviet Union and Canada began a two-day meeting yesterday in Paris to discuss the foundations of a new European security structure.

The Ministers' task is to prepare the ground for a summit of the 35, due to be held in Paris next month, on condition that an agreement is reached before then in Vienna on conventional force cuts in Europe.

Though not all the obstacles to the co-called CFE agreement have been overcome, Western delegates said that sufficient progress had been made to make it virtually certain that the summit would take place.

The Western countries see the future pan-European structure, known as the Conference on Security and Co-operation in Europe (CSCE) principally as a consultative framework for promoting stability in Europe following the end of the cold war.

It will provide a forum where the 35 member states can come together on a regular basis to discuss common problems ranging from security matters to economic issues and human rights.

However, in the eyes of the members of the Western Alliance, the new organisation is not intended to replace Nato as the principal body for ensuring the West's security.

"It cannot offer collective security guarantees, so it must develop in parallel with Nato," British officials said. Nor should it attempt to merge economies like the European Community does, or have regulatory functions.

Western officials also see the new structure as helping to consolidate democracy in the countries of central and eastern Europe which recently threw off the Communist yoke, as well as assisting these countries in making

Collor keeps firm grip on political initiative

Brazil's voters are set to back the president's policies, reports Simon Fisher

THE man who has most at stake in Brazil's elections for state governors, congressmen and senators has been out of the country during the last fortnight of campaigning.

President Fernando Collor de Mello will be flying back from an extensive foreign trip when 84m voters go to the polls tomorrow. He is betting his finely honed media presence will win votes for his supporters, and has kept at a distance from a contest that has overwhelmingly failed to excite the nation.

After many hungry years, Brazilians are in danger of overdoing democracy; there have been six elections in eight years and another seven elections and one referendum are planned by the end of the decade.

• The creation of a small permanent secretariat of some 10 to 15 officials, possibly to be located in an Eastern European country. Czechoslovakia is very keen to host this secretariat and will probably win the support of most of the Western countries.

• The setting up of a parliamentary body enabling members of parliament from the 35 member countries to meet at regular intervals, as they do in Nato.

• An election monitoring process to ensure that elections are held on the basis of democratic principles and procedures.

• The setting up of a conflict prevention centre. The UK has also proposed that a conciliation mechanism for settling disputes between member countries should be set up.

The meeting, which was opened by US President George Bush yesterday, was preceded by a ceremony at which the foreign ministers of the four Second World War allies – the US, Britain, the Soviet Union and France – signed a document suspending their residual rights and responsibilities for Germany and Berlin upon the unification of Germany tomorrow.

These rights and responsibilities will finally lapse once the Treaty on the final settlement on Germany, concluded by the four allies and the two Germanys in Moscow on September 12 has been ratified by the respective parliaments.

Small companies win 'pro-growth' tax deal

By Nancy Dunnin in Washington

PRESIDENT George Bush's budget negotiators succeeded in winning approval for a "pro-growth" package of tax breaks designed to benefit small and medium-sized companies, even though he abandoned his capital gains tax cut.

The incentives will go to corporations with less than \$50m in equity, engaged in active business, but which do not manage real estate or finance. Investors in these stocks will be allowed tax deductions on one quarter of the purchase price, up to \$50,000.

Although this provision is expected to cost \$7.5bn in taxes over the next five years, it could spur investment in entrepreneurial new technologies and service industries, where capital formation has been a problem. This is a goal in both political parties.

As an additional lure, investors who buy stock in these companies will not have to pay taxes on gains deemed to be the result of inflation.

Small and medium-sized companies will receive other tax advantages directly. They will be allowed to count certain investments as expenses and write them off for one year. In 1991 they will also get a 30 per cent credit for research and development.

Mr Stuart Rabinowitz, president of Fiscal Planning Services, in Washington, said while the new tax breaks could open new loopholes, they would help investors.

"The specific language isn't written yet," he said. "If the bill is written cleanly it offers the potential for productive investment."

Tax purists complain these breaks mark an about-face in the 1986 Tax Reform Act, which attempted to close loopholes for "special interests". However, the American tradition of using the tax code to encourage social and economic goals has prevailed.

Nicaragua's economic plans prompt protests

By Tim Coone in Managua

NICARAGUA'S powerful National Workers' Front (FNT) began a campaign of civil disobedience yesterday over the government's economic adjustment plans, which are an orthodox mix of deep public spending cuts, privatisations and public utility price rises.

The campaign began with demonstrations, factory occupations, and a call to house-holders not to pay their water and electricity bills.

A left-wing radio station in Managua, which had become the mouthpiece of the FNT and the radical tendency of the Sandinista opposition, was banned down on Sunday night.

As the government called for calm and urgently appealed for international economic aid.

Intense political rivalry could be heard in the city's eastern suburbs although no casualties were reported.

The FNT has rejected government calls to discuss the plans, accusing it being unwilling to negotiate the issues of greatest concern to the unions.

Mr Antonio Lacayo, the minister of the presidency, said at the weekend: "We are in a very difficult situation, possibly one of the most difficult in the world."

He urged the unions to join talks on the proposals. "The dialogue is not to modify the plan, but to discuss how to implement the economic measures while guaranteeing the protection and relief of those most affected by it."

Government officials, however, acknowledge that they lack the resources to give such



President Collor: needs reliable support in new legislature

in post-military Brazil, with the sole exception of the old Liberal Front Party (PFL). This was discredited after years of docile opposition under the generals, but is set for a resurgence which could secure it the lion's share of state governments.

Voters seem to be leaning towards candidates with a proven record in government, giving the PFL an unexpected new lease of life.

Mr Collor was an obscure governor who was swept to power on a flimsy party base. Until now he has held together enough of a loose coalition of congressional allies to push through the core of his programme, but his support

is fragile and the government has fallen apart at crucial moments.

Yet after six months in office it is clear Mr Collor has a firm hold on the political initiative in Brazil. His programme has borrowed from both right and left and – despite economic shock treatment which has plunged the country into recession, slashed real wages, and so far failed to control inflation – most people appear to accept the need for medicine, even if they criticise the authoritarian manner in which it is administered.

At 41, the country's youngest-ever president is ready to launch a bid to become the grandfather of Brazilian

politics. Ministers are already floating the idea of a new party which would be launched after the election. Mr Collor's self-styled "New Brazil" administration would seek to win defectors to a modern social democratic party along European lines. And apart from the congressional review of the constitution, a referendum is also scheduled in 1993 to decide what form of government Brazil will finally adopt.

Again stealing a banner from the left, Mr Collor, who is not eligible for re-election under the present constitution, has made clear his support for a parliamentary system. It would not be unfair to guess he sees himself in the prime minister's chair.

The 1993 constitutional review was originally intended to offer an opportunity to fine-tune details of Brazil's transition from military dictatorship to democracy. But the indications are it is likely to be more far-reaching.

In particular, Mr Collor is thought to favour removal of remaining restrictions on foreign investment in Brazil – including at least some areas of the state oil monopoly – and redrawing the relationship between state and federal governments.

Just 10 days ago the government closed several state banks in a clear warning that state governments would not be allowed to escape the federal austerity drive.

The big loser in the elections is likely to be the left. The Workers Party (PT), whose standard-bearer Mr Luiz Ignacio Lula de Silva came within a few percentage points of pipping Mr Collor for the presidential post, has been unable to repeat that show of strength.

Cuba seeks custody of fugitive in embassy

CUBA'S foreign ministry said yesterday it hoped the Canadian embassy in Havana would hand over an escaped prisoner who sought refuge there last Friday, Reuter reports from Havana.

The ministry said the man, Mr Orlando Patricio Dominguez de la Coba, was serving a 30-year sentence for stealing arms, kidnapping two US tourists and wounding one of them in 1983.

Canadian embassy officials have been trying to check the identity and story of the fugitive prisoner. Police and militiamen were yesterday guarding the mission.

The fugitive prisoner, who has only one arm, escaped to the embassy while being taken to a clinic to be fitted with an artificial limb. The Cuban foreign ministry said his arm was amputated because he had injected himself with a stolen from a prison workshop in an effort to make himself ill.

In July and August, more than 50 Cuban refugees at a number of European embassies and residences in Havana. All eventually surrendered after the government refused permission for them to travel abroad. The authorities said no charges were pending against these asylum-seekers.

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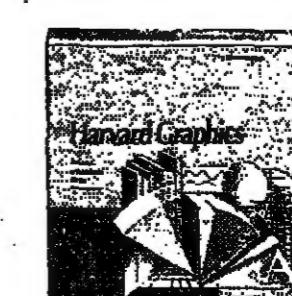
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WORLD TRADE NEWS

Salomon agrees \$100m Siberian oil joint venture

By Alan Friedman in New York

PHIBRO Energy, the oil trading subsidiary of Salomon Brothers, has agreed a large-scale joint venture oil and gas development project in western Siberia that envisages output of up to 800m barrels of proven recoverable oil reserves over 25 years, starting in the middle of 1991.

The deal is expected to see an initial Phibro investment of more than \$100m and involves a 50-50 partnership in the White Nights joint venture with Varyagenergogaz, a Soviet state-owned oil producing association based in the western Siberian town of Raduzhny. The plan is for output of around 150,000 barrels per day after five years.

Phibro's partner on the US side of the venture is Anglo-Suisse, a small Texas-based exploration company that originally arranged the Soviet deal and offered it to Phibro.

Although well-known US companies have other Soviet oil deals in the works, Phibro says the White Nights venture is the first actual oil production project between American companies and Soviet producing organisations in the oil-

rich western Siberian basin. Phibro will have majority control of the US side of the joint venture and has bought a 10 per cent stake in Anglo-Suisse, with an option to increase the shareholding to 30 per cent over the next year.

The US partners will contribute capital and technological know-how for the eventual drilling of about 550 new horizontal wells in the project area and the recompletion of 100 shut-in wells.

Phibro and Anglo-Suisse, a Houston company that is essentially a deal finder, will arrange to subcontract the drilling. The Soviets and Americans will share equally the total drilling costs over the next 25 years, which could amount to more than \$1bn.

The two fields in western Siberia were discovered in 1978 and 1987 but the Siberian oil production authorities have lacked technology and capital to develop the basin. Phibro Energy, which claims to be the world's largest crude oil trader, is also the fourth biggest US refiner, with daily capacity of 330,000 barrels.

Soviet bank wins rare \$20m credit

By Peter Montagnon, World Trade Editor

MORGAN GREENFELL has arranged a rare \$20m (211m) credit for the Soviet Bank for Foreign Economic Affairs which is to be used to finance the import of IBM personal computers.

The bulk of the 6½-year credit is backed by the Export Credits Guarantee Department, although it also contains a \$3m tranche on purely commercial terms which carries a margin of 1½ per cent above London Eurodollar rates.

The size of the margin indicates how market conditions have stiffened against the Soviet Union since last year when it was able to borrow on a premium of just ½ per cent above London Eurodollar rates.

However, bankers caution that even the high rate for this deal may not be typical as the loan involves a lucrative export credit tranche and the funds are being provided by just two banks — Morgan Grenfell and Midland.

Syndicating larger deals has become difficult, not only because of the Soviet Union's well-publicised economic problems but also because banking appetite for international business has dwindled in the wake of the Gulf crisis.

UK battleground for EC credit insurers

Peter Montagnon considers the impact of liberalisation of mass risk business

THE UK is emerging as the principal battleground for expansion-minded credit insurance companies following liberalisation of mass risk business under a European Community directive that came into force in July.

Brokers say that both NCM, the Dutch credit insurance agency, and Hermes of West Germany have begun actively seeking new British company customers in both the domestic and export credit insurance market.

With the exception of specialist niche players such as Pan Financial Insurance,

playing virtually no role in the West German market. Though specialist brokers are active in the French credit insurance market, most have strong ties to French credit insurance agencies which made them reluctant to push foreign products. Italy meanwhile has yet to implement the insurance directive, though it says it will do so by the end of the year.

With the exception of specialist niche players such as Pan Financial Insurance,

established players in the national European markets. In this category are both Trade Indemnity and the Export Credit Guarantees Department (ECGD) of the UK, whose room for international manoeuvre will in any case remain limited until its short-term insurance division is privatised next year.

Brokers say that the activities of Hermes and NCM mean that both these concerns now have to focus on defending their home market as well as plan their expansion into Europe. The main thrust of the European attack currently appears, however, to be on the Trade Indemnity's domestic credit business. Mr Colin Foxall, ECGD Director in charge of short-term commercial risk insurance, says the continental agencies have not taken any business away from his department yet.

Some in the industry also expect competition to emerge soon from a new alliance forged between Coface, the French official export credit agency, and Société Française d'Assurance Crédit (SFAC) which operates in the local domestic credit market. Coface has long been known to be discreetly eyeing the British market, and now the two agencies have formed a joint venture, known as a groupement d'intérêt économique under French law, which plans to offer

which concentrates on offering limited catastrophe and insolvency cover, it is thus still difficult for outside credit insurers to gain a toehold in the European market.

Pan Financial has had an office in Paris since 1987 and is in the process of establishing a presence in Frankfurt. Traditional credit insurers, who need to offer a more comprehensive service to cover their information technology and data-base overheads, face a much tougher struggle. They must compete head-on with

Europe-wide credit insurance. Though there is no evidence of this French venture yet having an impact on the British market, UK insurers are already becoming wary. "At least, they have the vehicle," says Ms Bridget Spreckley, of Trade Indemnity.

Mr Christopher Price of brokers Sedgwick James notes, meanwhile, that both Hermes and NCM still retain a degree of caution, despite their higher profile in the UK.

So far there has been no general rate cutting war in Britain.

The economic downturn has made them selective about what risks they are willing to underwrite. Though they are offering commercial risk insurance on exports to industrial countries, they are also steering clear of insuring payments risk in developing countries, leaving this up to ECGD.

The result is that their reinsurance presence on the UK market has not yet led to a general rate cutting war. In fact the deteriorating economic climate is tending to push rates higher for domestic credit

insurance. "Selectively by trade sector we are selectively pushing rates up," says Trade Indemnity's Ms Spreckley. In some cases, brokers say these premium increases may offer the new European competition an opportunity to pick up business that has become less attractive to Trade Indemnity.

Mr Christopher Price of brokers Sedgwick James notes, meanwhile, that both Hermes and NCM still retain a degree of caution, despite their higher profile in the UK.

Another, and potentially more serious, possible impact of increased competition, however, may eventually be a polarisation of rates with premiums for better risks being cut as the new foreign competition seeks to cream the best business off the top of the market. That would make it harder for the British firms to maintain a balanced and profitable portfolio of risk on their books.

For Trade Indemnity, however, there is a small consolation in the new competitive environment. It has already stated publicly that it is in the market to buy the short term insurance operations of ECGD in next year's privatisation. In other parts of British industry this has given rise to concern that it could acquire an effective monopoly in both the export and domestic credit insurance sectors. Now it can at least rebut such criticism by pointing to the growing competition from abroad.

Leading developing countries urge UN world trade body

By William Dufford in Geneva

FIFTEEN leading developing countries have suggested the establishment of a "comprehensive International Trade Organisation (ITO)" within the United Nations system.

The proposal, voiced after a meeting of foreign ministers in New York last Friday, is a response to suggestions by Canada and other industrial nations that the General Agreement on Tariffs and Trade (GATT) should be converted into a fully-fledged multilateral trading organisation at the end of the Uruguay Round trade negotiations.

The developing countries have revived an idea abandoned in 1948, when the US Congress refused to accept the establishment of an ITO governing world trade alongside the International Monetary Fund and the World Bank. Even after 40 years of existence GATT is formally no more than a provisional contract run by a secretariat hired by a moribund interim committee.

Industrial nations, including the European Community, have been discussing how the ambitious results hoped for in the Uruguay Round, such as liberalisation of trade in agriculture and services, could be incorporated into a new institutional structure.

In a statement issued by Mr Raimundo Figueredo, Venezuela's foreign minister, the 15 developing countries said the proposed regime could "legitimise a system of managed trade" rather than promote full liberalisation.

Instead, they suggested, advantage should be taken of the improved climate in international relations and the strengthened support for the UN to discuss establishment of an ITO. The matter could be taken up at the current session of the UN General Assembly.

The 15 nations are Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, Yugoslavia and Zimbabwe. They include countries whose backing for the results of the round is particularly important for the industrial nations.

GATT panel rules against Thailand

A GATT disputes panel has ruled that Thailand's prohibition on imports of cigarettes from the US violates the provisions of the General Agreement, reports William Dufford.

It recommended that Bangkok amend its Tobacco Act to bring it into conformity with GATT rules. Thailand operates a cigarette monopoly.

However, the panel rejected a US complaint that Thai excise, business and municipal taxes on imported cigarettes were inconsistent with GATT.

The taxes compiled with GATT's "national treatment" principle under which charges on imported goods must not exceed those applied to corresponding domestic products. The US had complained that, except for one shipment in 1980, the Thai government had allowed no imports of US cigarettes since 1976.

FFr500m hotel for Monaco

CREDIT COMMERCIAL de France (Suisse) is to lead a project for the construction of a five-star, 400-room hotel with a new casino in the principality of Monaco, reports William Dufford from Geneva.

The total cost will be between FFr500m (551m) and FFr700m according to Mr Claude Le Bar, CCF (Suisse) director.

Under a letter of intent signed with the Société des Bains de Mer (SSB), CCF's branch in Geneva will be responsible for arranging the finance.

SSB will run the casino. Mr Michel Pimsean is to be the architect. The hotel will be adjacent to the celebrated Monte Carlo Sporting Club on the Larvotto peninsula. The project aimed at creating the most attractive and luxurious resort on the Mediterranean coast, Mr Le Bar said.

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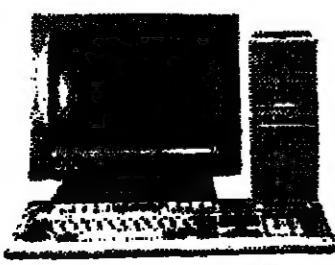
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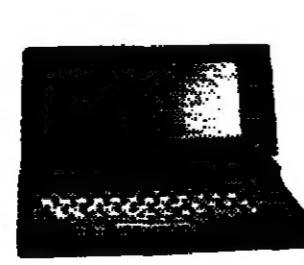
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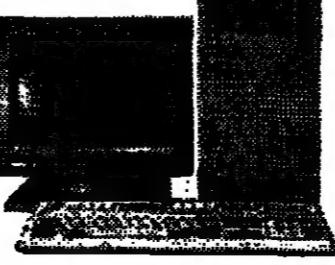
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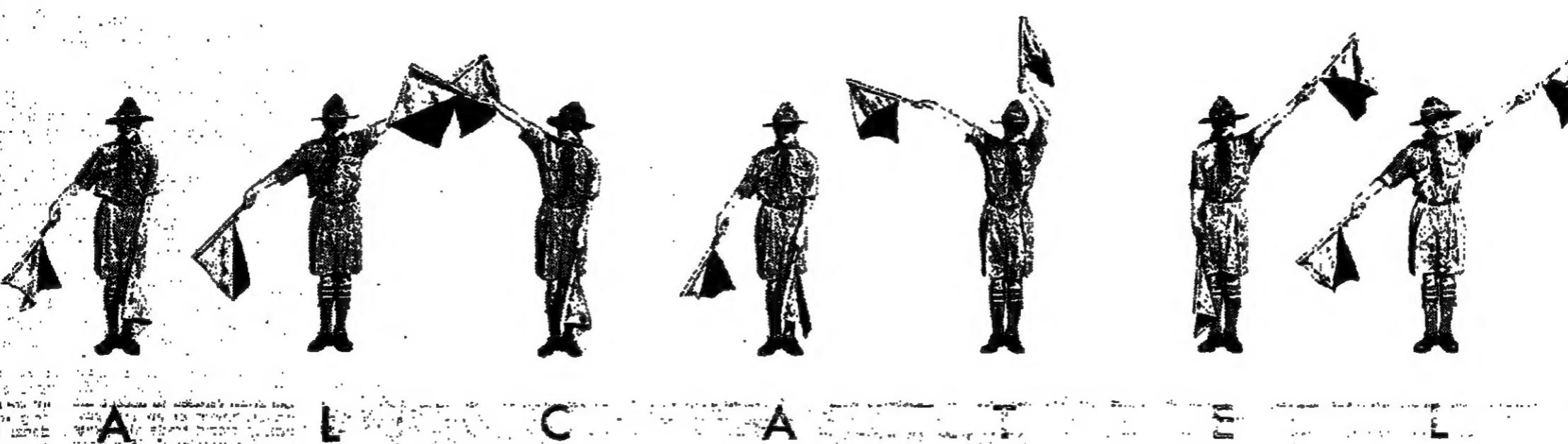
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GERMANY UNITES



"GERMANY IS like a fine, vigorous stallion, with fodder and everything it needs. But it lacks however a rider" — Martin Luther.

"Let us put Germany into the saddle. It will be able to ride all right" — Otto von Bismarck.

The new Germany being created on the stroke of midnight tonight will be, like most forms of the German nation throughout history, an amalgam of disparate states. In past centuries the patchwork threaded together by strategists, bribes or tyranny tended to tear under strain. Germany's leaders have either been too strong - or not strong enough.

This time, however, the fabric looks more resistant. It has been the gravitational force of West Germany's prosperous democracy which has pulled in, worn down and ultimately taken over hapless East Germany, not the mechanical power of armies.

The speed has been breathtaking. Less than a year ago — on October 5, 1989 — Mr Erich Honecker, the former East German leader, rallied in East Berlin's Palace of the Republic against "influential forces in the Federal Republic" aiming a coup against East Germany.

"Socialism on German soil is (for these people) so intolerable," he declared with shrill septuagenarian petulance, "because the previously exploited masses have proved that they can determine their fate with-

STRONGER BONDS WELD GERMANY'S DISPARATE STATES TOGETHER ONCE MORE

Economic strength proves irresistible

By David Marsh

out capitalists."

Twelve months later, Mr Honecker is languishing in a Soviet military hospital. The wall he built in 1961 has all but disappeared, washed away by a wave of D-Marks. The Soviet army will be leaving by 1994. And the concrete-and-glass Palace of the Republic, built on the site of the Hohenzollern kings' Berlin residence, has been closed down, probably permanently, by an asbestos scare. As Chancellor Helmut Kohl put it a few months ago: "For a long period, East Germany appeared as a monolith. But it was a house of cards; and it simply fell down."

The resurgent German nation has 75m people (of whom around 5m are foreigners), made up of 53m from West Germany and 16m from East. The population gap with France (65m), Britain (57m) and Italy (56m) will widen significantly, but not alarmingly. Germany's share of European Community population goes up from 19 to 23 per cent. The country's formal name remains Federal Republic of Germany, but

increasingly it will be called simply Deutschland.

Its area rises by around 43 per cent, to 138,000 square miles. West Germany was less than half the geographical size of France; the new Germany will be two-thirds the size of its western neighbour — and

out strength of 490,000 of the West German armed forces, the Bundeswehr. Most of East Germany's National People's Army will be dissolved, although the West Germans will now have the chance of taking over the most efficient weapons and equipment.

Economically, West Germany was already western Europe's dominant power, with 25 per cent of EC gross national product. Germany's percentage share of EC gross national product will now rise to about 23 per cent.

Whatever the medium-term prospects for East German recovery, the new Germany, initially, will be poorer than West Germany. Living standards and productivity in the East are less than half those in the West. East German GNP will fall by at least 10 per cent both this year and next, in an inevitably brutal adjustment. The combined German GNP growth rate will be no more than 2.5 per cent next year, even assuming that growth remains at around the current 3.5-4 per cent in

Germany will become more polarised, and, at least to start with, more worried. A poll published last month by the Allensbach opinion research institute suggests that 54 per cent of the East German workforce fear losing their jobs in the next six months. In the weeks following the introduction of the D-Mark on July 1, 66 per cent of East Germans said they were "anxious" about developments in East Germany.

A major question mark is whether German federalism will continue its four decades of success now that the number of Länder (states), all involved in the political decision-making process, rises from 11 to 16 (including Berlin, now a proper city-state again). Many Germans, as well as some foreign observers, believe that the guiding principles of federalism would be damaged irreparably if Berlin were to become the fully-fledged capital.

Some anti-Berlin campaigners, including those who generally admire German democracy, admit to misgivings about whether a cen-

From ruin to reunification

THE Second World War laid waste much of Germany, and the ruins of Dresden (far left) illustrate the legacy of conflict inherited by the divided country. By the sixties, however, West Germany had far outstripped its eastern neighbour. Its prosperity proved such a powerful attraction to citizens from the east that the border was sealed by the Communists, preventing all but the lucky from crossing (centre). Almost three decades later, the wall came down — parts of it dynamited personally by a delighted population.

tralised Germany would be politically stable in the long term. According to Mr Luigi Vittorio Ferraris, former Italian ambassador to Bonn: "If we are going to run a new Germany from Berlin, we will start a new continuity with 1945."

Mr Ferraris, who has become a prominent campaigner within Germany for the government to remain on the Rhine, says: "We all love Germany. Conditions are different compared with the Third Reich, but German society has the possibility of running astray. It will not run astray tomorrow or even the day after tomorrow. Therefore, we should try to contest this kind of ideas from the beginning."

Mr Kohl and Mr Hans-Dietrich Genscher, the Foreign Minister, have shrunken from facing up to foreign mistrust of German might. "The United Germany will carry greater weight. If we shall not strive for greater power but will be conscious of the greater responsibility," Mr Genscher proclaimed at the United Nations last week.

Overshadowing tomorrow's unity celebrations is the Gulf crisis. As the relics of the last war in Europe are finally laid to rest, another threat in the Middle East. Preoccupied with its internal challenges, Germany may have to live up to its new international responsibilities more quickly than it would like.

GOVERNMENT AND FOREIGN RELATIONS

East Germany's wheels of state grind to final halt

By Leslie Coffey in East Berlin

EAST GERMANY's absorption into the Federal Republic means that all its government ministries and state bodies will cease to exist, along with the legal foundations of the state and its agreements with foreign countries.

Diplomatic relations with more than 130 countries are terminated, only 19 years after East Germany won political recognition from West Germany and was able to establish ties with other western countries.

The aluminium-clad Platz will be temporarily occupied by Mr Franz Bertile, former head of the West German Permanent Mission in East Berlin,

who is to wind down the technical machinery of East German diplomacy. West Germany refuses to take on any of the old Communist diplomats but is interested in using some former East German consultants in Poland and other east European countries.

North Korea and Kampuchea, with whom West Germany has no ties, leave former embassies in East Berlin, and Bonn has decided that these two countries should now be represented by third parties.

The embassies of foreign countries in East Berlin, most of whose ambassadors have already left, become either consultates or branches of Bonn-based embassies, as is the case

with the three western Allies in Berlin. Britain, France and the US will still retain the valuable sites of their pre-war legations close to the Brandenburg Gate. These could be used for new embassies if Berlin becomes the seat of government.

East Germany relinquished membership of the United Nations and formally withdrew from the Warsaw Pact in a remarkable ceremony in East Berlin late last month. It was attended by the East German Minister of Disarmament and Defence and the Soviet Supreme Commander of the Warsaw Pact armies and his generals, who looked far from pleased at the departure of

their former ally.

West Germany has promised to assume East Berlin's obligations within Comecon, but the organisation is not expected to survive long as eastern Europe seeks to model itself on western economies and the Soviet Union sets out to establish a market-based economy.

Unlike the 52,000 employees of East Germany's postal system, railways, and border police, most of whom will keep their jobs, few of the nearly 27,000 employees in ministries and state institutions in East Berlin will be taken on by the West German Government. In future, the five Länder of former East Germany will be administered by career civil

servants as in West Germany. Most East German police and firefighters, who will be employed by the Länder, will keep their jobs. The armed forces (Volksarmee) have been purged of most senior officers and reduced in size from 170,000 to 50,000 troops. These are being integrated into the Bundeswehr under a West German commander who will reside in Greater Berlin.

Senior officials of the politicised judicial system have been, or will be, retired, but many judges have undergone crumpling courses in West German civil and criminal law to allow them to mete out justice according to the West German legal system.

Although the former East Germany is taking over West German civil, criminal and administrative law, it will retain its more liberal law on abortion and on property (mainly to protect tenants on leased land) for a transitional period.

The West German Judicial authorities will take over the investigations into accusations of corruption and distortions of justice against Mr Erich Honecker, the ailing former East German leader, and other politburo members. But there is no indication that they will be more anxious to take legal action than the East German judicial officials, who failed to prosecute.

BUSINESS PROSPECTS

Weighing the risks and opportunities

By Andrew Fisher in Frankfurt

A YEAR AGO, East Germany might as well have been on a different planet for all its existence meant to most foreign businessmen. Only the most prescient, or foolhardy, would have prophesied that the borders would be thrown open last November and Germany speedily united.

Now, executives are having to take notice. For many westerners, the decision to become involved in a market which used to be virtually off-limits is tricky. Unification will certainly help by removing legal uncertainties. But the problems, physical and psychological, caused by decades of division will not be solved by the stroke of the unifying pen.

"There are plenty of opportunities and risks for anyone moving into East Germany," says Mr Martin Astling, Frankfurt partner of Pritchard Field and Tobin, the UK legal firm. "October 3 doesn't sort out everything that needs to be put right on the ground."

A state-run country in which inefficiencies were rife and output took precedence over quality, consumers' needs, and the environment is now being painfully transformed into a free market economy. "It's a new ball game," adds Mr Astling. "Sixteen million people have got to readjust themselves. It will take a time."

So what do foreign managers need to know about the new Germany, whether they have begun to get involved or are still spectators? Here are some pointers:

• Property. This has been a bugbear for potential investors, concerned about former owners

ers turning up and demanding their property. It has now been laid down that compensation will be paid by the state; companies will not have to worry about giving back assets in which they have just invested. But confusion remains at local authority level about who owns or can sell state assets.

• Incentives. The 12 per cent investment grant decided for East Germany will remain; this falls to 8 per cent after mid-1991. Also available will be regional subsidies and incentives, bringing the total package to 33 per cent in some cases, partly tax-free. Commercial tax rates, set locally, will be lower than West Germany's.

• Cartel Office. West German competition law will apply in the whole country, administered by the Federal Cartel Office. Some details, notably in energy and air transport, have already prompted cartel scrutiny; others, for example in banking and insurance, have gone through despite concern about the competition aspects.

• Chambers of commerce. These play an important role in West Germany in training apprentices, helping local authorities with development plans, and advising on foreign trade. The system is being extended eastwards.

• Trentham. This East German privatisation agency will decide the future of nearly 8,000 former state companies. Investors wanting to buy into them will have to negotiate with this body, which is keen for foreign, as well as German, investment. However, it has its own organisational problems. Investors may need patience.

Germany and its neighbours

Turning points during 100 years, in the words of six Chancellors

"In the case of an unsuccessful war, we should have the same French against us whom we met from 1807 to 1813, and who would again sue our blood so that we should be paralysed for 30 years."

Otto von Bismarck, 1857

"The German people cannot be turned into economic slaves of other countries for 20, 40 or 60 years. The terrible misfortune of the war for the whole of Europe can only be compensated if the international community now takes hands."

Friedrich Ebert, 1919

"The theme of our economic struggle must be the German people must live by exporting, or die. I assure international doubters: The German people will not die, by no means, but will live."

Adolf Hitler, 1939

"A country's unconditional surrender does not give the victory the right to keep it occupied for ever."

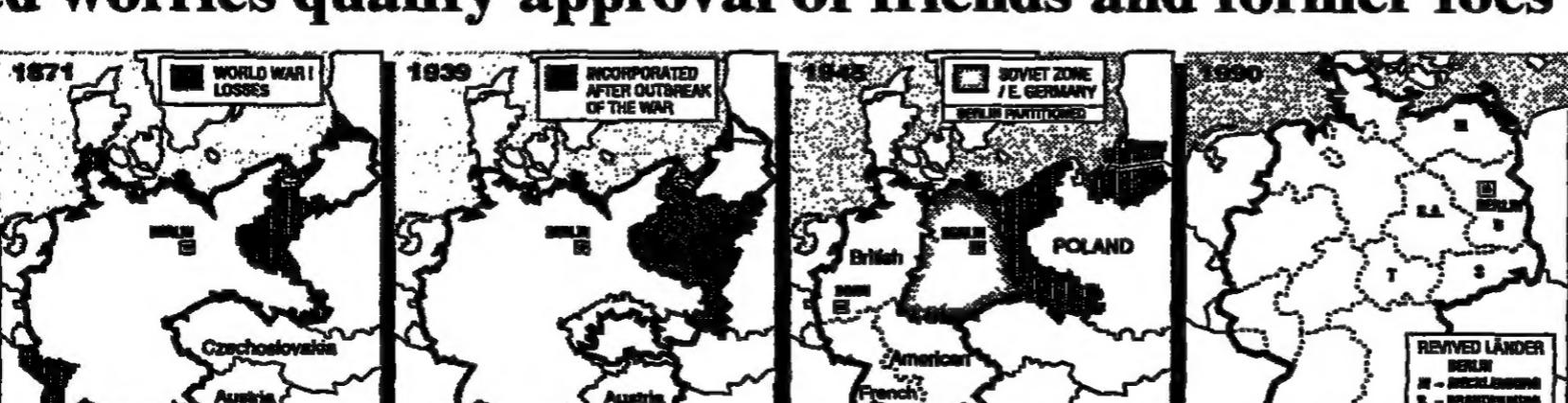
Konrad Adenauer, 1950

"We ought not to overlook the fact that, in the eyes of others, the German division is today part of the European balance of power that secures peace in Europe."

Helmut Schmidt, 1978

"A glance at the map shows that everything which changes here has effects on our neighbours. There is no sense in not recognising that many are watching us with anxiety as we go on our way, and some with fear. But from fear no good can come."

Helmut Kohl, 1989



VIEWS FROM THE OTHER SIDE OF THE FENCE

Deep-seated worries qualify approval of friends and former foes

GERMANY'S NEIGHBOURS

allies and erstwhile enemies are all ambivalent in their attitude towards unification. Its break-neck speed has taken everybody by surprise, and adaptation to the new reality has been difficult. In virtually every case, public approval of unification has been tempered by deeply-rooted anxieties about a resurgent Germany.

The Soviet Union's official position from being transformed in less than six months from profound scepticism, throughudging acceptance, to something almost approaching enthusiasm.

The doubts remain, above all in the military and in the popular perception of many who believed a divided Germany was the only real insurance against repetition of the slaughter of the "Great Patriotic War."

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German unification became inevitable. President François Mitterrand marched Chancellor Helmut Kohl into new and even more sweeping commitments, including European political union.

One reason is that for many years French attention has been focused obsessively on the relationship with Germany. Since 1983, the Franco-German partnership has been a cornerstone of foreign policy and it has also become an increasingly important intermediary mechanism for French policy towards the European Community.

Yet the historic enmity which gave rise to the partnership is by no means dead in some quarters. The government's response to the prospect of German unification has been to redouble its pressure for European integration. Before the tearing down of the Berlin Wall, France was already the most fervent advocate of European Economic and Monetary Union. After

unification, Britain's attitude towards the whole problem became much more amenable.

What is the government, and Mrs Thatcher in particular, do not share the official French conviction that a "deepening" of European integration is the best way of anchoring the new Germany to the West. Paradoxically, given her initial views about Germany, the Prime Minister continues to favour a looser and enlarged confederation of nation states, within which Germany, like its partners, would have greater room for national manoeuvre.

Poland, where memories of the Second World War run as deep as anywhere, and fears that Germany might again attempt to grab its western territories remain strong, has also changed its attitude somewhat towards German unification during the last few months.

The Poles will not be fully reassured until a unified Germany has signed a treaty guaranteeing Poland's western frontier, as both German governments have solemnly promised. However, the Poles no

longer see two economic giants uniting, but rather a strong West Germany being saddled with a feeble relative which will monopolise its attention and energies for years to come.

One advantage Poland sees in unification is that it has gained a frontier with the West and that trade with Germany is bound to develop rapidly. Residents of East Germany are already flocking across the frontier to Poland to shop for cheaper goods with their newly-acquired D-Marks and the hope is that Berlin and other East German cities will provide a market for Polish farm produce.

Another bonus is that Soviet troops will leave East Germany and probably Poland too. The fears about unification are therefore balanced by the prospect of greater national freedom for Poland and the surrounding region.

On Germany's western frontier, unification has provoked surprisingly little resistance in the Netherlands. In spite of the lingering and deep resentment of five years of German occupation during the Second

Report by Christopher Bobinski in Warsaw, Ian Davidson in Paris, Robert Mauzher in London, Quentin Peel in Moscow and Ronald Kee in Amsterdam

Daimler-Benz plans DM2bn investment in E Germany

By David Goodhart in Bonn

DAIMLER-Benz is planning to invest DM2bn (550m) in East Germany over the next two to three years, according to Mr Edzard Reuter, Daimler's chairman. Daimler is following in the footsteps of Volkswagen which has already announced an investment of DM5bn in East Germany.

However, West German readiness to invest in East Germany remains rather patchy, according to a poll of 500 of West Germany's largest companies. The poll found that only 15 per cent of companies are currently producing in East Germany, but 16 per cent are investing and a further 31 per cent intend to start investing before the end of next year.

The leading sector is construction, with 30 per cent of building companies with actual or imminent investment plans, followed by 15 per cent of manufacturing companies and 11 per cent of retail companies.

The most important single block to investment remains uncertainty about property ownership or simple lack of suitable sites, according to 20 per cent of respondents. Fourteen per cent quoted poor

infrastructure and 13 per cent uncertainty over land prices and wages costs as disincentives.

The primary motive for investment in East Germany was proximity to new East German customers and a bridgehead into eastern Europe; only 2 per cent of companies said their dominant motive was re-acquiring old production sites. Some commentaries attribute continuing hesitation to the belief that investment subsidies from Bonn will steadily improve over the next few months, and that businessmen are therefore not rushing in until they do.

Investment grants already have risen from 12 per cent to a maximum of 33 per cent. Also the Economics Ministry and the liberal Free Democrats are pressing hard for a waiver of corporate tax in East Germany, at least for a transitional period, although the Finance Ministry is still resisting the idea.

Mr Wolf Schröder, spokesman for the Treuhand, the body charged with privatising East German industry, complained that the continuing squabbling

West Germans sign Soviet gas contract

WINTERSHALD, the West German gas subsidiary of the BASF chemical group, has signed a deal with the Soviet Union to supply natural gas to East Germany and western Europe, in what it described as the biggest participation so far by a Soviet concern in a western project. Andrew Fisher writes from Frankfurt.

were given for the deal. The first pipeline link, costing around DM400m (2135.5m), will be between Sayda in Czechoslovakia and Vitzrode in East Germany. Around 200 cubic metres of gas a year will initially be involved in the deal, roughly equivalent to the volume used by East Germany in recent years.

Greek PM takes over the economy portfolio

By Karin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, yesterday took over the economy portfolio and appointed a new deputy economy minister to oversee a three-year austerity programme now under preparation.

Mr Christodoulou, who is taking three months of medical treatment but is not expected to return to the cabinet.

Mr Christodoulou, a European Parliament member, was deputy foreign minister for European Community affairs. A former state bank governor, he is expected to consult closely with European Commission officials on reducing Greece's huge public sector deficit, estimated this year at \$10bn (25.5bn).

Greece is seeking a \$2bn special loan from its Community partners. If the money is approved, conditionality will be strict, since the former Socialist government failed to keep the terms of a 1985 EC emergency loan.

Mr Mitsotakis' decision to

take on the economy portfolio reflects a determination to introduce long overdue structural reforms, despite strong reaction from the Socialist-controlled trade unions and opposition within his own conservative New Democracy party.

Legislation modernising the pension system was passed on Friday. Bank employees, power workers and rubbish collectors immediately called off a three-week strike, but pledged renewed opposition to further reforms.

The new austerity plan, due to take effect from January, will include strict measures to curb a 25 per cent inflation rate and increase revenues by reducing tax evasion and broadening the tax base.

In further cabinet changes, the Greek ambassador in London, Mr Carlos Papoulias, becomes deputy foreign minister. In addition, Mr Mitsotakis has appointed his daughter, Mrs Dora Bakoyannas, as under-secretary to the prime minister's office, a junior post intended to make the administration more efficient.

Swedes told to end pay deadlock

By Robert Taylor in Stockholm

THE government-appointed wage conciliator in Sweden yesterday called on employers and trade unions to negotiate a national pay agreement for 1991 as soon as possible, as the economy moves rapidly into a second cost crisis.

Both sides have been given until October 25 to respond to the conciliator's conclusions, which recommend pay increases of next to nothing next year.

The latest economic forecasts from Sweden's leading banks suggest price rises of 3 per cent in 1991, zero growth or worse, a balance of payments deficit over 4 per cent of the country's gross domestic product, no visible trade surplus and a large drop in industrial investment.

The conciliator's report shows Sweden's inflation in 1991 will be running higher than much of the rest of the western world, with a strong growth in costs. The gloomy forecast also suggests unemployment rate will rise sharply.

Spain becomes object lesson in failure to attract visitors

Peter Bruce on the crisis facing the Costa del Sol

M R PEDRO Turpault, president of the Costa del Sol hoteliers association, has been much in demand recently. Recently a group of Italian MPs toured through his huge Don Pablo hotel near the beach.

"They want to know how we are dealing with our tourism crisis," he says. There is no comfort in becoming this sort of object lesson but Spain's tourist industry and hoteliers are in trouble. People have stopped coming.

Costa del Sol bookings are down 15 per cent on the year so far and 25 per cent down on 1988. Compared to 1988, nearly 3 per cent fewer people have come to Spain this year. What figure is likely to look a lot worse when final figures are totted up. Tourist income will fall 10 per cent.

Spain's biggest industry accounts for 9 per cent of gross domestic product and an expected fall of up to 7 per cent in dollar income is partly behind fears that the deficit on the current account of the balance of payments could rise more than 70 per cent to some \$6.8bn (35.5bn) this year. With the government still insisting there is no crisis, hoteliers accuse the authorities of ignoring them and of publishing false visitor statistics.

Mr Turpault notes wryly that "even if the government says there is no crisis there is either an over-supply of beds or an under-supply of customers." He fears 30 hotels on the Costa may close or come close to it this year. Hoteliers all along the Mediterranean coast complain that people are staying away because the peseta is overvalued and that Madrid is also failing to make the infrastructural investments neces-

sary to make coming to Spain pleasant. Spanish governments have traditionally regarded the country's sun and sea as essential and unalterable assets.

But high interest rates, designed to cool down the economy, have strengthened the currency nearly 20 per cent against sterling in three years. But hoteliers do not spend the money that hotel guests do and the industry is growing with despair at government designs to attract "quality" tourists — more golfers and hopefully more people to taste the abundant cultural wealth in the interior.

"It's absurd," mutters one industry official, "the government should promote the country by taking into account its realities. Seventy-five per cent of the people that come here want to go to the beach," says Mr Garcia.

Spain, insists Mr Turpault, "is not a high quality product." The government is loathe to intervene too heavily in the industry, although it has promised to cut VAT at four star hotels if they freeze prices next year.

Tourism has transformed the coastal economy and local political leaders, mainly members of the governing Socialist party, recoil at imposing more expensive hygiene or quality controls on their ratepayers.

Tourism's best hope now is that the economic downturn in Spain following the Gulf crisis will concentrate the national mind.

"I'm happy this has happened. It's like a sick person who finally goes to the doctor. This has been coming for a long time."

News that Thompson, the UK tour operator, is increasing its Spanish prices by 10 per

Serbs proclaim autonomy in Croatia

By Laura Silber in Belgrade

THE Yugoslav state presidency called an emergency state session yesterday, after leaders of the Serbian minority in the republic of Croatia proclaimed autonomy following armed clashes between police and Serb militants over the weekend.

He also reported that 100 of the Treuhand's nearly 8,000 companies have now been privatised, and that 500 to 600 further sales are currently being negotiated.

At the end of October the Treuhand is expecting to receive 3,000 company survival plans, but Mr Schröder warned that a large number of bankruptcies would have to be announced before the end of the year.

He said that what is lacking in East German companies is not so much cash for new investment but the human capital to manage that new investment. He believes there is also still a serious lack of interest from manufacturing concerns ready to produce in East Germany.

The Treuhand itself is trying to build up its staff from the current 700 to about 1,000, but is finding it difficult to recruit people for the middle-ranking jobs. The current emphasis is on building up the regional offices.



Milošević is accused by Croatia of stirring up racial hatred

Serbs erected barricades yesterday in several predominantly Serbian towns and stopped rail traffic in defiance of Croatian moves to confiscate weapons. A policeman and a

civilian were wounded in gun battles during the weekend. Ethnic tensions have mounted among Serbs and Croats since the Croatian Democratic Union, a right-wing nationalist

party, ousted the ruling Communists last April in the first free elections in Croatia. Serbs accuse the Croatian government of fascism — compelling them to the Ustasha, the Nazi-backed Croats during the Second World War.

Mr Milan Babić, president of the Serbian national council and the mayor of Knin, yesterday called on Serbs "to resist the terror of the Ustasha with all means."

Croat authorities have accused Gen Milošević of having stirred up ethnic hatred in Croatia.

The ruling Socialist (formerly Communist) party of Serbia has supported the Serbian nationalist groups in Croatia.

The Serbian presidency yesterday cast doubt on the Yugoslav state presidency's ability to resolve the crisis.

The Serbian authorities have demanded that the state presidency "defends Serbs from repression in Croatia."

Jaruzelski clears way for elections

POLAND'S President Wojciech Jaruzelski yesterday signed legislation cutting short his presidency after just over a year in office and setting up elections to replace him, Reuters reports from Warsaw.

The legislation is expected to enable Gen Jaruzelski's successor to take over before Christmas. The first round of polling is expected to take place on November 25, with the second two weeks later if no candidate wins 50 per cent.

Soviet council bans N-tests

Regional authorities in the Soviet republic of Kazakhstan have banned nuclear testing at the country's main range at Semipalatinsk. Test said yesterday. Reuters reports from Moscow.

The Semipalatinsk regional council cited concern for public health and the area's future. Kazakhstan's parliament voted last November to urge Moscow to stop test blasts at the range, in the republic's north-west.

Protest in Kiev

An estimated 50,000 Ukrainian nationalists yesterday demonstrated in Kiev, denouncing the Communist Party and urging rejection of a new union treaty in a second straight day of peaceful protest. AP reports from Moscow. Police observed the demonstration but made no attempt to interfere.

Bulgarian upset

Bulgaria's main opposition party has won the country's first by-election since the general election last June, and signs of eroding support for the ruling Socialists. Reuters reports from Velingrad.

CSCE stirs bureaucratic jealousy in Brussels

By David Buchan in Brussels

THE Conference on Security and Co-operation in Europe (CSCE) is stirring institutional jealousies in the European Commission.

Addressing foreign ministers of the 34

CSCE-participating countries, Mr

Andersson,

the EC external affairs com-

missioner,

yesterday

blamed the Helsinki

process as "more vital than ever" for east-west relations. But behind his honeyed words lie much bureaucratic infighting to get the EC's executive body represented alongside its member states in the CSCE.

There are also fears — which are chiefly

psychological — that the CSCE will prove an all too welcome escape for the Kohl, Mitterrand and Thatcher from the

increasingly supranational and onerous

Community agenda of political and monetary

union, back to the more congenial

19th century format in which national

leaders can posture behind their national flags.

The CSCE could become a kind of paradise lost, in which EC states will dream of recovering their sovereignty," says one senior Commission official.

In substance, however, the EC would seem to have little to fear from the problematic shape of the CSCE, as a conference (organised by the Centre for Strategic and International Studies from Washington and the Finnish Institute of International Affairs) of leading officials and academics from some 20 of the CSCE-participating states in Helsinki last week made clear.

In the economic arena, where Brussels feels it should henceforth play the lead role — Soviet delegates talked of the general need to arrange greater east-west co-operation. But neither the EC nor other participants had any specific suggestions.

While it made sense in the early 1970s to try to bridge the gulf between eastern and western economic systems by governments enunciating some general principles in the CSCE, the apparent triumph of the market everywhere has effectively pushed governments — and the CSCE — out of the business of arranging economic co-operation.

By contrast, new suggestions are piling high on security and human rights, in particular for the proposed central conflict prevention. If anything, the CSCE member governments would probably need to submit to some kind of supranational supervision. Yet this seems unlikely because it would so totally transform the CSCE, which for the past 15 years has very successfully acted as a kind of marathon diplomatic cocktail party.

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INTERNATIONAL NEWS

Nigeria and IMF agree SDR375m standby debt deal

By Tony Hawkins and Michael Holman

A NEW SDR375m (2274.5m) standby agreement between Nigeria and the International Monetary Fund will go to the IMF board for approval next month. Alhaji Abubakar Alhaji, the Nigerian finance minister, and Alhaji Abdurrahman Ahmed, the central bank governor, said yesterday.

The new 15-month facility, replacing the previous loan which lapsed in April, is essential to the success of debt rescheduling talks with the London Club of commercial bank creditors and the Paris Club of government creditors. Nigeria's total external debt is \$36bn (118m).

The officials were speaking after a signing ceremony in London for two new aid agreements with Britain, releasing £25m to support Nigeria's structural adjustment programme, of which £20m is tied to the purchase of British goods and services. The Crown Agents will be responsible for procurements. It is the first tranche of a £60m grant which the UK pledged at a consultative group meeting for Nigeria in November 1989.

Britain's willingness to sign the deal yesterday was seen by both Nigerian and UK officials as evidence that relations had not been seriously undermined by Whitehall's decision last month to cancel a planned visit to Lagos by Mrs Lynda Chalker, the minister of state for overseas development.

The cancellation was in protest against the execution of soldiers accused of participating in the abortive coup against President Ibrahim Babangida in April.

The British government had also complained that Nigeria had not been sufficiently forceful in its condemnation of the Iraqi invasion of Kuwait — a charge Lagos has since vigorously denied.

Strong domestic opposition to taking loans from the Fund meant that Nigeria did not

draw on the previous IMF facility, and both officials said this would continue to be the case.

The next round of rescheduling talks is expected to take place with the London Club shortly.

Discussions have been deadlocked following Nigeria's unilateral decision to reduce interest payments to 3 per cent on its \$5.5bn commercial bank debt, while London seeks a reduction over 30 years.

The officials stressed yesterday that they would accept commercial bank claims that, with the rise in oil prices, Nigeria is now able to pay a higher interest rate. Since the onset of the Gulf crisis Nigeria's oil output has increased to 1.5m barrels a day from nearly 1.7m b/d, while the price of its Bonny Light crude has reached around \$40 a barrel.

The 1990 budget was based on an average price for the year of \$16 a barrel but the officials said the present surge in oil prices could turn out to be temporary, and was no basis for meeting long-term commitments.

Since the collapse of oil prices in the mid-1980s Nigeria has cut imports, and the officials said the country desperately needed to increase import levels to accommodate faster economic growth. They also said that Nigeria's debt service obligations to the Paris Club were larger than previously estimated and this would influence the availability of foreign exchange.

The finance minister rejected reports that the federal government had been guilty of substantially overspending in this year's budget. He said that when he left the budget ministry to become finance minister a month ago net government borrowing to cover the deficit was well below target.

Supreme Court halts Delhi's jobs reservation move

By K.K. Sharma in New Delhi

INDIA'S Supreme Court yesterday stayed "further implementation" of the cabinet's decision to reserve 27 per cent of government jobs for lower castes, permitting it only to continue identifying the castes.

The judicial order, passed on a petition by the Bar Association because of the growing

caste violence in the country, is binding on the Mr. V.P. Singh, India's Prime Minister.

The order is expected to end the widespread caste violence in New Delhi and north Indian states which has led to several suicides by students and heavy damage to buses, trains and government property.

The agitation by students

was sparked off by a controversial government notification on August 7 on the reservations decision. Thousands have been demonstrating in New Delhi, where schools and colleges have been closed for more than a month, and states such as Haryana, Uttar Pradesh, Rajasthan and Madhya Pradesh.

Although the government

opposed the petition when it was heard by the Supreme Court yesterday, it is now effectively justified in suspending work on the decision to reserve jobs for lower castes.

Mr. Singh has also been under severe attack from his detractors in the ruling Janata Dal for the manner in which the students' agitation has been handled. Following the

attack, he obtained a vote of confidence from the parties constituting the ruling National Front coalition at the weekend but a small group in his own Janata Dal has openly sought his resignation.

The stay order passed by the Supreme Court yesterday gives a much-needed respite to the beleaguered Prime Minister.

Bill fails on extending direct rule in Punjab

By K.K. Sharma

A BILL to extend President's rule — direct administration by New Delhi — in the north-west Indian state of Punjab fell through in the Lok Sabha, or lower house, yesterday when it failed to get the required majority.

Unless the bill to amend the constitution is revived by waiving a rule prohibiting its consideration again in the same session, elections must be held in Punjab before the current spell of President's rule there ends on November 10.

The failure of the bill puts the government in difficulty since law and order has deteriorated sharply in Punjab in the past few months. All parties, including the opposition Congress party, agree fair elections are not possible in the state.

Punjab has been under President's rule since 1987 because of special amendments of the constitution which permit this to be imposed on any state for a maximum period of a year. President's rule was clamped on Punjab following the failure of the state government to check violence by Sikh militants seeking independence.

The latest constitution amendment bill fell through because Mr. Rajiv Gandhi's Congress party abstained from voting on it even though its members were present in the House.

A constitutional amendment bill requires a majority of at least half the membership of the House and two-thirds of those present and voting. The Lok Sabha has an effective strength of 522 members and when the voting took place, the bill got only 229 votes in its favour which is much less than half the membership of the house. Angry exchanges between the Treasury and Opposition members took place after the voting and the Congress was accused of "impunity" for abstaining.

Before the session Congress had agreed to "co-operate" to have the bill passed even though Mr. Gandhi had criticised Mr. V.P. Singh, India's Prime Minister, of failing to formulate a policy to deal for Punjab.

Mr. Gandhi maintained after the voting that it was the responsibility of the government to ensure at least a simple majority in the house.

Pakistan army chief sees plot

General Mirza Aslam Beg, Pakistan's powerful army chief, yesterday announced the discovery of a plot aimed at creating lawlessness in Pakistan, particularly in the province of Sindh, to disrupt planned elections for October 24. Farhan Bakhtiar writes from Lahore.

This was his second public statement in three days since he blamed foreigners on Saturday for a series of training and resuscitation to saboteurs operating in Pakistan.

Gen Beg reportedly told Justice Naqeebuddin, Pakistan's chief election commissioner, in Rawalpindi that the army would ensure that the elections would be held as planned.

Hopes raised for UK businessman in Iran

THE agreement to restore diplomatic relations between Britain and Iran within the next month has raised hopes about the fate of Mr. Roger Cooper, the British businessman imprisoned in Tehran since 1985, Kamran Fazel in Tehran and Robert Graham in London report.

Last week's accord in New York between Mr. Douglas Hurd, the British Foreign and Mr. Ali Akbar Velayati, his Iranian opposite number, made no specific reference to the Cooper case.

But Britain has always insisted on his continued imprisonment on unspecified allegations of spying was a barrier to normal relations and yesterday a prominent Iranian hinted Mr. Cooper might benefit from a presidential pardon.

Mr. Irfan Parviz, the executive editor of Tehran Times, regarded as the unofficial voice of Iran's Foreign Ministry, told the Financial Times: "Mr. Cooper's case has nothing to do with politics as was stated in our editorial (of September 29); it's a judicial matter."

A Moscow windfall for Israel

By Hugh Carnegy in Jerusalem

THE SPEED with which relations between Israel and the Soviet Union are warming up after being almost frozen for 20 years — underlined by the announcement on Sunday of a restoration of full consular ties — is a welcome diplomatic windfall for Israel which carries a number of valuable benefits.

The way rapprochement with Moscow has gathered pace has been a welcome respite for Israel from the dangers posed by the Gulf crisis.

In the last few weeks, three cabinet ministers have been in Moscow, two to visit President Mikhail Gorbachev. Late last week, the Israeli transport minister said he had been informed by Moscow that direct flights between the two countries would be resumed

Roh foresees Korean turning point

By John Riddings in Seoul

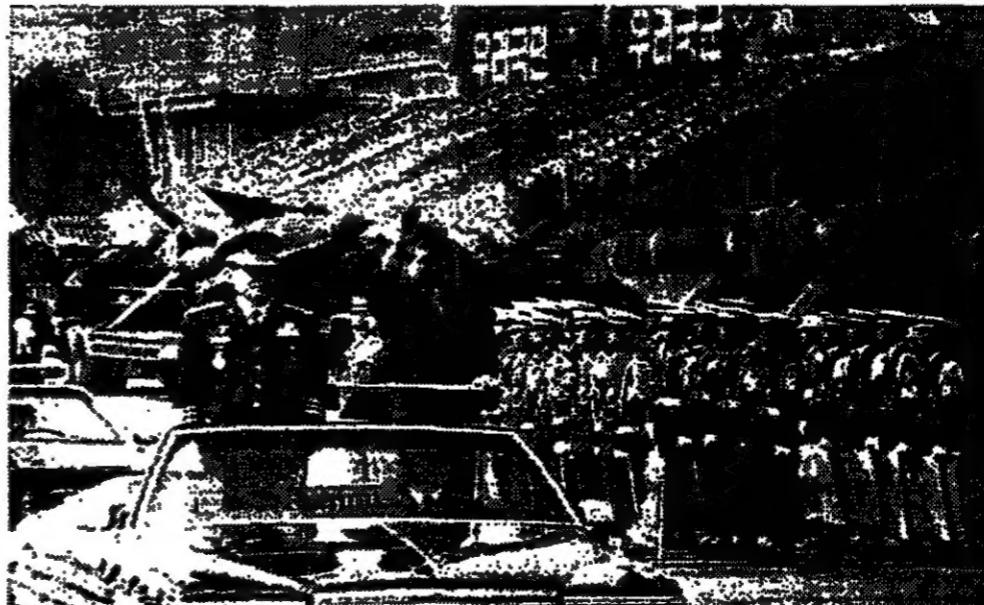
MR. ROH Tae Woo, South Korea's president, said yesterday that diplomatic ties with the Soviet Union would encourage reunification of the Korean peninsula by spurring changes which North Korea would be unable to resist.

"No longer having powerful supporters to fall back on, the North will not be able to adhere to its policy of communising the South," Mr. Roh said. "Inter-Korean relations are thus approaching a major turning point."

Mr. Roh's speech, at a ceremony to mark the country's armed forces' day, followed the signing on Sunday of an agreement to establish full diplomatic relations with the Soviet Union from January 1, 1991.

After signing the agreement in New York, Mr. Choi Ho Joong, the South Korean foreign minister, and Mr. Edward Shevardnadze, his Soviet counterpart, said "the two sides are convinced that the step will contribute to enhancing stability and to a peaceful settlement on the Korean peninsula."

The announcement of diplomatic ties marks the culmina-



President Roh Tae Woo waves to troops at an armed forces day parade yesterday

US may lift aid and trade curbs on Vietnamese

By Paul Taylor, Asia Business Correspondent, in Bangkok

THE weekend meeting between Mr. James Baker, the US Secretary of State, and Mr. Nguyen Co Thach, Vietnam's Foreign Minister, in New York has increased speculation in Bangkok that the US-supported worldwide trade and aid embargo against Vietnam could be lifted soon.

Both sides have described the meeting as the highest level contact between the two nations since the end of the Vietnam war 15 years ago — as constructive.

The US recently resumed direct contacts with Vietnam as part of its revised Cambodian policy unveiled in July and US officials have since held three meetings with the Vietnamese representatives at the United Nations culminating in the Baker-Thach meeting on Saturday.

Vietnam is keen to see the US embargo lifted since this would pave the way for a resumption of international Monetary Fund lending and much-needed aid from the World Bank and individual nations.

The importance of a resumption of IMF lending to Vietnam, a nation of 80m mostly impoverished people, is underlined in a report published by Swiss Newcom, a London-based think tank. The report's author, Mr. Chris Sherwell, argues that Vietnam is attempting a "capitalist-style reform programme" to overcome "its economic policy disaster". Vietnam has achieved much in the past 18 months with little external assistance, the report said, "but its immediate goal now is to secure a resumption of IMF lending. This would pave the way for other multilateral assistance, and for aid from other countries such as France, Italy and others."

While the Smith New Court report entitled "Vietnam: Asia's Next Dragon" is broadly optimistic about the country's potential, it also warns that Vietnam's future is remains finely balanced and that "its best hope of success lies with returning overseas Vietnamese with the foreign experience and local knowledge to build new businesses back home."

In terms of foreign investment potential Smith New Court is also cautiously optimistic noting that interest is growing, particularly in tourism, food and raw materials sectors.

Much of this investment, if it materialises, is likely to come from Vietnam's regional neighbours, Thailand, Singapore and Hong Kong.

China's PM hints at closer ties with Hanoi

By Peter Ellingsen in Peking

LI PENG, the Chinese prime minister, has used his National Day speech to signal Peking's willingness to normalise relations with Hanoi. Before the party's ruling hierarchy and a gathering of foreign dignitaries in the Great Hall of the People, Li made it clear China wanted closer ties with Vietnam.

Linking rapprochement with a resolution of the Cambodian conflict, Li said: "Along with such a [Cambodian] settlement, China is ready gradually to improve its relations with Vietnam."

The comments, on the 41st anniversary of China's 1949 revolution, follow secret talks last month between a Vietnamese delegation led by party chief Nguyen Van Linh and Chinese officials, and a breakthrough visit to Peking by Gen Vo Nguyen Giap, Vietnam's deputy prime minister.

Gen Giap, the highest ranking Hanoi official to visit China since the two fought a brief war in 1979, said during his visit that the time was ripe for normalisation. Li's remarks came as China sought a restoration of its ties with the US.

Li said Peking was "pleased" about a recent agreement by all sides in the conflict to form a Supreme National Council to govern Cambodia, while a ceasefire is put in place and free elections held. Describing the developments as "significant progress", Li said Peking wanted an "early, fair, reasonable and comprehensive political settlement" in Cambodia, based on the UN blueprint.

Sitting beside Li at Sunday night's reception was Prince Norodom Sihanouk, head of Cambodia's non-communist resistance, and the man China wants to see installed as chairman of the Supreme National Council. China has supported the resistance groups, while Vietnam has backed the Prince's government of Premier Hun Sen.

Li also used his National Day speech to reiterate a call for reunification with Taiwan. "It is our hope that those in power in Taiwan will set store by the long-term interests of our country and nation," he said.

THE SPEED with which relations between South Korea's policy of Nordpolitik — the improvement of relations with socialist countries in an attempt to reduce tension on the Korean peninsula and to press North Korea into a more accommodating stance. South Korea now has diplomatic relations with all east European countries except Albania.

The establishment of ties between Seoul and Moscow also coincides with a series of other significant diplomatic initiatives in North East Asia.

Last week the highest-level Japanese delegation ever to visit North Korea came to an agreement to establish diplomatic ties as soon as possible.

South Korea's response to the improvement in relations between Tokyo and Pyongyang has been cool. A spokesman for the foreign ministry said that

Seoul was in favour of improved ties between Japan and North Korea but sought clarification concerning the agreements reached by the Japanese delegation.

In his speech yesterday Mr. Roh said that "clearly the North has reached the dead-end of its isolationist policy." But he warned that a firm security posture was still an "absolute necessity."

The original target of a 5-7 per cent rise in consumer prices has already been passed and the impact of higher oil prices remains to be absorbed.

The government's decision to freeze oil prices until the end of the year means that, so far, the rise in international oil prices has had only a limited effect on Korean prices.

But analysts forecast that any sustained

rise in international oil prices will ultimately have a substantial impact on South Korea's economy. Oil represents 34 per cent of the country's energy requirements and all of it is imported.

In September the rise in consumer prices was largely the result of higher agricultural prices caused by severe floods which hit South Korea at the beginning of the month. According to the KBO, meat prices have increased by 25 per cent so far this year, while vegetable prices have risen by about 15 per cent.

PRICE RISES PUSH SOUTH KOREAN INFLATION RATE TO 9%

SOUTH KOREA'S consumer price index rose by 9.6 per cent in September, pushing the rate of inflation to 9 per cent for the first three quarters of 1990, according to the Economic Planning Board. John Riddings writes from Seoul.

OFFICIALS at the EPO expressed optimism that annual consumer price inflation could still be kept to the government's target of single figures, but analysts said they expected the annual rate to reach about 12 per cent, the biggest increase since 1981. Inflation, along with the poor

performance of South Korea's export industries, is the government's principal economic concern.

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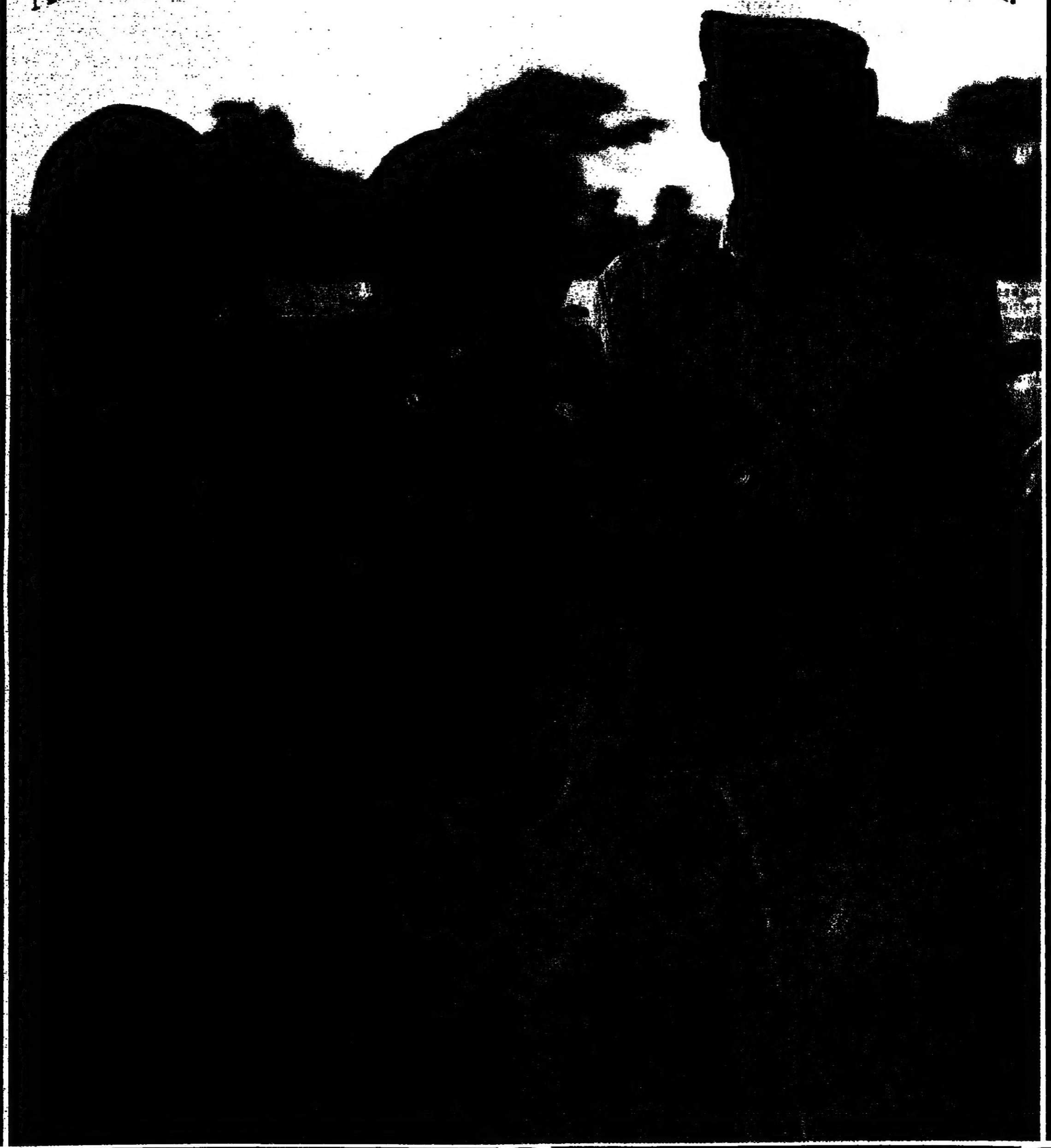
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COMPANY NOTICES

THE COLNE VALLEY WATER COMPANY

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held in the principal office of the Company, Blackwell House, 100 Grosvenor Road, London SW1X 7BT on 16th October, 1990 at 12.00 noon for the purpose of considering and, if thought fit, passing the following resolution:

RESOLUTION

By Order of the Board
J.A. Russell
Secretary

1st October 1990
Principal Office,
Blackwell House,
100 Grosvenor
Road,
London SW1X 7BT
W12 2BT

NOTES

1. Holders of 7% (Formerly 10%) "A" Ordinary Stock, 7% (Formerly 10%) "C" Ordinary Stock, 4.9% (Formerly 7%) Ordinary Stock, 3.5% (Formerly 5%) Ordinary Stock and 2.5% (Formerly 4%) Consolidated Preference Stock are entitled to attend (or be represented by proxy) and vote at the meeting. Holders of Discretionary Preference Stock are entitled to attend but not vote at the meeting. Holders of Deferred Stock are not entitled to attend or vote at the meeting.

2. Holders of Voting Stock are entitled to one vote for every £50 nominal of stock held, with a maximum of 25 votes. A Voting Shareholder holding in excess of £1,250 nominal of Voting Stock who wishes to avoid his voting rights being so limited may do so by notifying (in writing) his registered holding less the amount of cash or money received and by ensuring that each such holding is registered in the name of the nominee to be entitled to attend or vote at the meeting.

3. The quorum for the meeting is seven stockholders present in person or by proxy holding in the aggregate not less than £2,000 in the capital of the Company.

4. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy for an individual stockholder must also be a member of the Company.

The Company's existing constitution does not permit corporate stockholders to attend and vote at the meeting by appointing a representative, they can do so only by appointing a proxy, which must be a member of the Company and a member of the corporate stockholders.

5. A form of proxy is enclosed for use at the Extraordinary General Meeting. Notice of proxy (original or copy) with any power of attorney or other authority, if any, which it contains, must be duly certified or notarized copy of such power or authority must be lodged with the Secretary of the Company, Blackwell House, 100 Grosvenor Road, London SW1X 7BT not less than 48 hours before the time appointed for holding the meeting.

MMC INVITES EVIDENCE ON THE PROPOSED ACQUISITION BY KEMIRA OF CERTAIN ASSETS OF IMPERIAL CHEMICAL INDUSTRIES (ICI) PLC

The Monopolies and Mergers Commission have been asked to inquire into the proposed acquisition by Kemira Oy, a state-owned Finnish company, of certain assets of ICI plc used for the production of nitrogenous based fertilisers (both solid and liquid).

The Commission will be studying the possible effects of the proposed acquisition on competition in the United Kingdom market for nitrogenous fertilisers. The Commission would like to hear from any person with information or views on this proposed acquisition.

Evidence, in writing, should be sent by 19 October 1990 to: The Reference Secretary (Kemira / ICI), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

ARCHITECTURE
The Financial Times proposes to publish this survey on
31st October 1990

For a full editorial synopsis and advertising details, please contact:
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INTERNATIONAL NEWS

Exodus dogged by bureaucracy

Julian Ozanne reports on the long trek home for Ethiopian Jews



Thousands of Ethiopian Jews await visas from the Israeli embassy in Addis Ababa.

give and take."

For their purposes it suits the Israeli government, under heavy pressure from the powerful and wealthy American Jewish lobby, to make the Falashas the primary object of foreign policy in Ethiopia.

The true historical origins of the Falashas, which means "exile" in Ge'ez, the ancient Ethiopian language, remain obscure. Some historians have claimed

they are the direct descendants of Menelik, son of King Solomon and Queen Sheba, and that they followed Menelik from Jerusalem to his mother's homeland, Ethiopia.

According to these assertions they are one of the 10 lost tribes of Israel.

President Mengistu's gambit with the Falashas has fuelled further speculation about the diplomatic pact between Israel and Ethiopia.

Towards the end of last year it became increasingly apparent to Mr Mengistu that his traditional sources of military assistance, the Soviet Union and eastern bloc, were going to dry up and that alternative suppliers were vital to sustain black Africa's largest standing army.

When the Israelis were invited back to Ethiopia after a 16-year break, diplomats dubbed the deal "game for Falashas". But while there have been constant rumours of Israeli military assistance, from the provision of Uzi machine pistols and sophisticated electronic listening equipment to help in procuring Chinese-made cluster bombs, there has been little concrete evidence to support such claims. Both sides have denied the links.

"There is no military assistance. Even if we would have liked to replace the Soviet Union we cannot afford to step into their shoes," said Mr Haim Divon, an Israeli diplomat.

"For us the Ethiopian Jewish issue is a basic principle of allowing family reunification. It is non-negotiable. There is no

denial on this," he said.

That cut off the flow of Ethiopian Jews

getting to Israel, except for the clandestine Operation Moses in 1985 when 12,000 were flown out of refugee camps in Sudan.

That the Falashas only became the focus

of Israeli foreign policy in Ethiopia since the marxist revolution in 1974, which overthrew the feudal reign of Emperor Haile Selassie, has been taken by many observers as proof that the Ethiopian Jews are only a minor part of a whole range of strategic Israeli interests in the Horn.

Throughout the 1960s and early 1970s Israel supported Haile Selassie with aid and arms to defend their geopolitical interests maintaining the last non-Arab presence on the Red Sea, supporting Ethiopia in its historic role as a Christian bulwark against the spread of Islam in Africa.

Those Israeli strategic interests are as

pressing today as they ever were with an

Arab-backed Eritrean Peoples Liberation Front (EPLF) threatening to split Eritrea and the entire Ethiopian Red Sea shoreline from the rest of the country.

But in re-establishing relations with

Israel, diplomats say Mr Mengistu may

have made a serious foreign policy blunder.

The flow of arms he expected has not

materialised – partly because the US, which supplies most of Israel's arsenal, has made it clear that Jerusalem cannot

provide US weapons to Ethiopia.

Furthermore, Israel's presence in Ethiopia has fuelled Arab support of the EPLF by raising the Zionist bogey.

According to several diplomats, Arab

deliveries of weapons to the EPLF in January and February were an important factor in the rebel capture of Massawa, a vital Red Sea port.

The suspension of Falasha emigration

by Mr Mengistu, which has since eased

slightly, was a measure of the regime's

desperation and a sign of the precarious

position of the Ethiopian Jews now

crowded into the capital.

Although Mr Mengistu has very little

room to manoeuvre, their fate may depend on whether Israel is prepared to shore up his disintegrating 13-year-old dictatorship.

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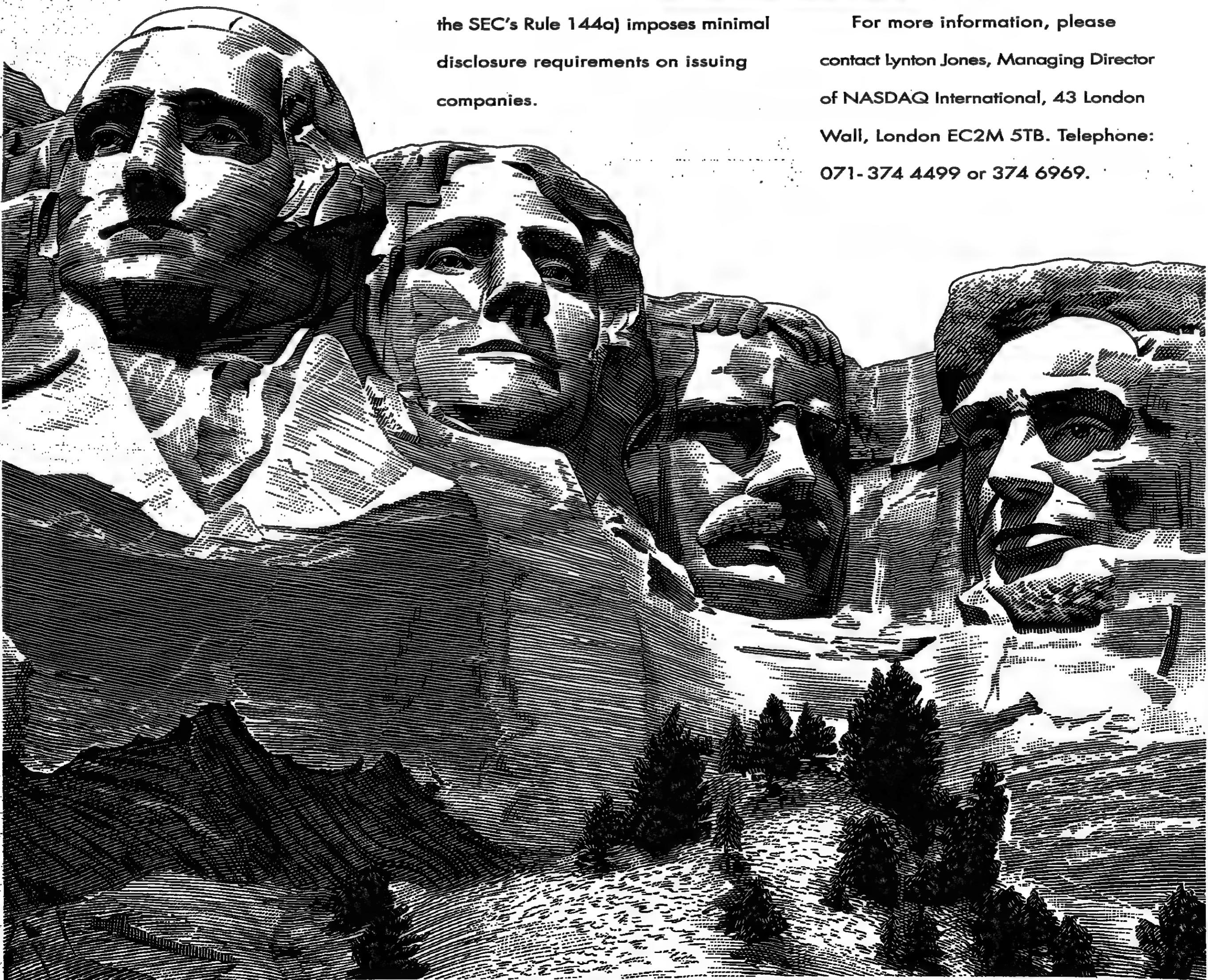
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THE STOCK MARKET FOR THE NEXT 100 YEARS

INTERNATIONAL STOCK EXCHANGE

Rawlins points to hybrid system

By Richard Waters

THE WAY shares are traded in London is likely to change extensively in the years ahead, Mr Peter Rawlins, chief executive of London's International Stock Exchange, indicated yesterday.

In a wide-ranging discussion, Mr Rawlins questioned much of the Exchange's established orthodoxy of recent years. He suggested, for instance, that the maintenance of a centralised market for equities - long one of the exchange's main tenets - was not necessary.

"Most major markets in most financial centres have some degree of fragmentation. If that is what customers want, then so be it."

Mr Rawlins was speaking after a council meeting of the Exchange which had considered a progress report on a proposed restructuring of the market's trading system. The Exchange has yet to decide its final strategy, and any changes are thought to be some way off.

Mr Rawlins, seen as a new broom when he was brought in as chief executive at the start of this year, said he believed that market-making was Lon-



Peter Rawlins

don's biggest strength, and that it would be retained.

He added, though, that other trading systems would exist alongside it, to allow investors to trade in different ways if they preferred.

In particular, this would mean the introduction of some method for capturing, routing and matching investors' orders without passing them through a market-maker.

In such a system, market-makers would rank alongside

investors as participants in the market, using their capital to take up investors' orders as and when they wanted to enter the market.

They would no longer face the obligation to make firm two-way prices at all times, the basic element of the current dealing system.

"There have been changes in the obligations and benefits of being a market-maker," Mr Rawlins said. "The benefits have shrunk. With appropriate alternative arrangements, the responsibilities could also be reduced."

One implication, he said, was that investors would not be guaranteed that they could deal at all times. He added: "People think they will always be able to find a counterparty. That is not the case." The change should educate people on this point he said.

Mr Rawlins' comments point towards the introduction of a hybrid dealing system, and represent a move away from what he called the "conflicting theologies" of those who believe that quote-driven and order-driven dealing systems are incompatible.

He said it would be for investors to decide the extent to which they used market-makers, and were prepared to pay the market-makers a return for the capital they were committing to the market, rather than simply using an order-matching system.

Companies will be discouraged from making frequent checks of who owns their shares, once the UK's paperless settlement system comes into operation.

This emerged yesterday as the International Stock Exchange published a list of prices expected to apply when the settlement system, known as Taurus, starts to come into operation in October 1991.

The Exchange said that its overall charges would be among the lowest in the world.

However, they are based on the assumption that stock market activity, at some 30,000 bargains a day, will be around twice its current level.

If the volume of business remains low, the Exchange will be forced to increase prices sharply to cover the overheads of running the system.

Opposition party reveals details of austere economic programme for Britain

Labour places investment before welfare

By Philip Stephens, Political Editor

LABOUR Party leaders yesterday told supporters that investment in the economy would take precedence over pledges to improve the welfare state.

Mr John Smith, the opposition's top spokesman on the economy, told the party's conference in Blackpool that a future Labour government would not increase income tax for the "overwhelming majority" of taxpayers to pay for better social services.

That meant that it would "not spend more than the economy could afford". His warning came as the conference voted against the party leadership in favour of a much sharper increase in state pensions than Labour is already pledged to introduce.

The vote proved an embarrassment for the leadership, but senior officials emphasised

that it was not binding.

They are resigned, however, to a further defeat tomorrow when the conference will demand that the party commits itself to deep cuts in defence spending to pay for better social services.

Yesterday it emerged that seven members of the "shadow cabinet" had voted against Mr Neil Kinnock, the leader, on the issue in the National Executive Committee.

In a deliberately austere assessment designed to lower the expectations of the delegates, Mr Smith said that the resources needed for Labour's plans to increase investment in education, training and industry would have to be financed from the "national dividend" created by economic growth.

His stance, which won respectful applause, formed the hub of a carefully orchestrated

campaign designed to emphasise that Labour now has a coherent but cautious strategy to restore the fortunes of Britain's economy.

It was followed by a pledge from Mr Gordon Brown, the opposition trade and industry secretary, that a revival of manufacturing industry would be the central priority of Labour's industrial strategy.

In parallel, Mr Tony Blair, the party's employment spokesman and Mr Jack Straw, the education spokesman, confirmed that its planned investment programme would be concentrated in education, in training, and in research and development.

That message will be reinforced today by Mr Neil Kinnock when he tells the conference that a better educated workforce will be central both to Labour's economic strategy and to its commitment to

social justice.

Despite the unease over pensions, yesterday's debates confirmed the grip that Mr Kinnock and his key lieutenants have established on the party's economic priorities in the run-up to the election.

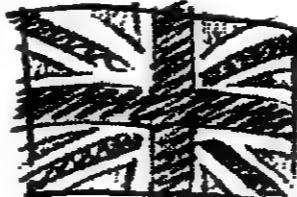
It also reinforced the emergence of Mr Brown and Mr Blair as, apart from Mr Smith, the two most influential figures in the shadow cabinet. Mr Smith told the conference that the "fundamental problem of the British economy is a weakness of capacity" resulting from a "decade-long neglect" of the UK's water industry.

Compagnie Générale des Eaux already owns Lee Valley Water Company. The Department of Trade and Industry has approved a merger between Lee Valley, Colne Valley and Rickmansworth. If

Compagnie Générale des Eaux is success-

UK NEWS

BRITAIN IN BRIEF



Shootings prompt new Ulster call

Nationalist politicians in Northern Ireland called for the withdrawal of the Parachute Regiment from West Belfast after two teenagers were shot dead by soldiers when they drove through an army checkpoint.

The Army declined to comment on the circumstances of the shooting which is being investigated by the Royal Ulster Constabulary.

Members of the Parachute Regiment opened fire, killing a 17-year-old boy and an 18-year-old girl, after their stolen car drove through the roadblock, injuring a soldier on Sunday night.

Mr Gerry Adams, the West Belfast MP representing Sinn Fein, the political wing of the IRA, said the incident confirmed that security forces were operating a shoot-to-kill policy.

The allegation was strongly rejected by Mr John Cope, the province's security minister. He said soldiers opened fire because of the terrorist situation in Northern Ireland and not with the intention of killing joyriders.

French bid for water companies

France's largest water supplier has launched a full recommended cash offer for two water companies in south-east England following government approval of a merger, the first since last year's privatisation of the UK water industry.

Compagnie Générale des Eaux already owns Lee Valley Water Company. The Department of Trade and Industry has approved a merger between Lee Valley, Colne Valley and Rickmansworth. If

Compagnie Générale des Eaux is success-

ful, it will gain control of what will be Britain's seventh largest supplier.

The offer values Colne Valley at £47.5m and Rickmansworth at £27m. Although Générale des Eaux already controls Lee Valley, its offer for the outstanding stock values that company at £27.5m.

The merger was approved because the three groups have guaranteed to pass savings of 10 per cent on to its customers in the Thames Water region.

If the offer succeeds, the merged companies will be run by Three Valleys Water Services, a wholly owned but unquoted subsidiary of Générale des Eaux.

FDA to test heart drug

Boots, the pharmaceutical and retailing company, has filed the first regulatory submission for Manopax, its new heart drug which has a sales potential of hundreds of millions of pounds a year according to some analysts.

Sir James Elyth, Boots chief executive, called the application to the US Food and Drug Administration "a significant milestone" for the company.

Similar applications for Manopax will be made to the regulatory authorities in the UK and other European countries.

Mr John Collier, Nuclear Electric's chairman, has announced proposals to shed 2,500 jobs from the company's 14,000 workforce by 1994.

Proposed City heliport splits business community



A PUBLIC inquiry over a controversial proposal to build a helicopter landing pad in the City of London (artist's impression above) is likely to split the London business community. The plan, unveiled last October, involves the construction of a landing site on an elevated deck on the River Thames next to British Telecom's international exchange.

The promoters of the f16m City project - a consortium including large British businesses such as the Hanson Group, BAA, Trafalgar House, Midland Bank and the Carroll group - are facing an uphill battle against companies such as Barclays de Zoete Wedd, British Telecom, the ANZ banking group. The Royal Fine Art Commission and English Heritage have also strongly objected to the scheme. The City Corporation's Court of Common Council last June rejected a planning application for the heliport, saying that the problems of noise and safety outweighed potential benefits.

Scots to make Japanese faxes

Official body to foster democracy

Plans for a government-backed "political foundation" to help consolidate fledgling democracies in eastern Europe and the Third World will be finalised shortly, Mr Douglas Hurd, the foreign secretary, said.

The plan will be a base for the company's facsimile machine sales in Europe, which were worth £100m (£38.5m) in exports from Japan last year, and which Oki expects will increase significantly after 1992.

Move to protect York's heritage

The ancient walled city of York in northern England should be declared a world heritage site in order to prevent further undesirable development, according to the city's MP, Mr Conal Gregory, and MEP, Mr Edward McMillan-Scott.

The two Conservative politicians are preparing to boycott the opening of an office block, which, they say, damaged a Roman palace. The building may have been the palace of the emperor Septimius Severus who ruled the empire from York between 208 and 211 AD.



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UK NEWS

Laying the blame for the economic malaise

As talk of recession mounts, Peter Marsh finds fingers pointed in different directions

AS signs of a recession grow clearer and unemployment climbs, the inquest has started about who is to blame and what has gone wrong.

One of the main aims of the Conservative government in the past 11 years has been to keep inflation down and to provide for a stable economy in which business could thrive.

Now the government is grappling with an inflation rate of 10.6 per cent - higher than when Mrs Thatcher came to office in 1979 and industry is breaking under the burden of high interest rates and a strong pound.

According to some of Britain's leading economists from across the political spectrum, the government made several mistakes in the mid-1980s which allowed domestic demand to increase rapidly, stoking up inflationary pressure.

The economists disagree, however, on the extent to which these errors could have been foreseen at the time. They also differ as to whether the mistakes can be blamed on economic or political misjudgments.

Central to the argument is how much Britain's capacity to produce goods and services has improved during the 11 years of Conservative government.

Britain is generally agreed to have had an inherent supply-side problem since the 1950s.

As a result UK productive capacity has expanded far less than in many other industrialised countries such as West Germany, Japan and the US.

In the early 1980s, the Conservatives took action to reform trade unions, cut taxes and produce a keener business climate.

The government thought that the mid-1980s explosion in demand could be accommodated by higher UK production, without significant price increases or balance of payments problems.

Today, UK inflation is twice the European average and Britain faces a likely balance of payments deficit this year of nearly £20bn. Did the supposed supply-side improvement really happen? And to what degree did the government miscalculate the demand pressures?

A key person is Mr Nigel Lawson, the chancellor of the exchequer, and architect of the

government's economic strategy between 1983 and 1989. He resigned last October after disagreements with Mrs Thatcher over the timing of Britain's entry to the Exchange Rate Mechanism of the European Monetary System.

In recent weeks Mr Lawson has broken his public silence on what went wrong just once, with an interview which appeared in IMF Annual Meeting News, a small US journal published to coincide with the recent annual conference of the International Monetary Fund in London.

The FT asked Mr Lawson's office if he would expand on

thought the crash would expand demand and confidence in industrial and financial markets.

As it turned out, the effects were far less. Mr Lawson was, however, dissuaded from any ideas at the time about applying brakes on the UK economy because he thought this would amplify the effects of the crash and possibly tip it into recession.

In his interview, Mr Lawson failed to mention his tax-cutting budgets in 1987 and 1988. The tax cuts boosted people's spending powers and increased consumption. This was at just the time when, many economists

not be blamed for any problems in the economy that were now showing up. For most of his tenure as adviser, he had worked only on a part-time basis. In retrospect, said Sir Alan, he should have noticed something was awry in 1987. "I should have screamed earlier," he said.

Critics also say that the government became distracted with other policies, including the privatisation programme, and neglected economic aspects, particularly the rate at which the supply of money in the economy was increasing.

For Mr Tim Congdon, a leading monetary economist who is



Thatcher, Walters and Lawson: disagreements throughout the chancellor's tenure

argue today with the benefit of hindsight the chancellor should have been slowing down the economy.

But during the mid-1980s, many economists went along with the government's belief that the UK had leapt forward in its underlying productive capability and so could boost consumption without the inflationary effects showing through. "Many of us believed a miracle had happened," said Mr Gavyn Davies, chief UK economist at Goldman Sachs, the New York-based bank.

Mr Davies said that, by 1987, he had woken up to the fact that the miracle might be something of a mirage. Mr Lawson, however, failed to act to slow down demand until late 1988 - when he raised interest rates.

• Over-reacting to the world stockmarket crash of October 1987, Mr Lawson, in common with other political leaders,

Sir Alan said that he could

have seen the overheating of the housing market as "criminal".

Mr Janice Buck, economic adviser to the pro-Conservative Institute of Directors, said that the government was responsible for a number of positive changes on the supply side of the economy. She adds: "Any government which has been in power a long time has a tendency to think everything is going nicely and not to worry. The government took its eyes off the game."

Other onlookers have a different perspective. Mr Neil MacKinnon, chief economist at Yamaichi Securities in London and a part-time economic adviser to the Labour Party, worked in the Treasury between 1983 and 1985. One of his jobs was to prepare briefing papers for Mrs Thatcher.

The Lawson boom will further undermine economist's reputation for being able to monitor accurately what is happening in the economy.

After the event you have to

put all the blame on the government (for the repercussions of the Lawson boom) - but I can't blame them," said Mr Geoffrey Dicks, chief economic forecaster at the London Business School. "A lot of forecasters were trying to monitor what was going on, and very few thought that things would turn out as badly as they did."

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The class of 41.

(Britain 1990.)

Educationalists say that there should be no more than 25 children in a school class.

Any more and a child's ability to learn begins to suffer.

In Britain today there are often over 40 children in a class.

At a school near Slough in Buckinghamshire, parents raised £12,000 through fêtes and sponsored events so that they could pay for an extra teacher and cut class sizes to 23.

In a school in Warrington, Cheshire, all the 6 to 9 year olds are lumped together in two classes of 37. The remaining 9 to 11 year olds make up a class of 32.

Throughout the country the number

of classes with too many children is on the increase. This is due in large measure to a shortage of teachers.

There are now more outside the education system than in it.

(Teachers can almost always find a better paid job elsewhere.)

But the overriding reason is a simple lack of resources.

We now spend less of our Gross Domestic Product on education than we did in 1979. This represents a loss of £3.25 billion.

As a result, a school in Coventry has been obliged to teach computer studies in the toilets.

But it's better off than the Cornish school which cannot use computers at all because it has no power points. (It also, incidentally, has no running water.)

It is conditions like these, together with fundamental failures such as the widespread shortage of books, that are sapping the resolve of even the most dedicated teachers.

And, of course, the heaviest penalty is exacted from our children.

The conclusion is hard to resist.

Unless there is a radical change in the funding of our schools the prospects for the class of 1990 look very gloomy indeed.



Our children are paying for cheap education.

TECHNOLOGY

The hunt for good vibrations

At the Jet Propulsion Laboratory in California scientists are experimenting with materials and structures that would automatically sense and suppress any incipient vibrations that might upset a new telescope planned for space.

Whenever on-board equipment starts up on a spacecraft, vibrations surge through the structure but fade slowly because of a lack of air to dampen them. Mariner 10, the scientific spacecraft launched to Venus and Mercury in 1973, was nearly lost when its solar panels and antenna began to flex in resonance with its thrusters.

Thomas Caughey, professor at the California Institute of Technology, and Chuen Goh, co-researcher, have found a way of detecting the vibration and feeding it back. In this way it can be damped without introducing new vibrations. They use piezo-electric crystals that generate a voltage proportional to the amount it has moved.

The piezo-electric crystals take the form of pistons composed of small stacks of thin washers of the ceramic lead zirconate titanate (PZT). Sensors measure how much the pistons have moved, and how much force is being exerted on the PZT washers.

The pistons have been designed to avoid friction and, especially, stick-slip - which would inject its own vibrations. They also shield the brittle ceramic from any load that might flex the washers.

One test structure - a truss-work tower - has three pairs of active control, one being its PZT pistons. The second is a mounting to which a "noisy" component can be bolted, and attached with an active isolation system. Another is an optical delay line used as a mounting for a laser interferometer.

The National Aeronautics and Space Administration has organised a programme to tackle vibration and other aspects of spacecraft control. The programme is using the proposed Orbiting Stellar Interferometer as a test case.

David Fishlock

Gone are the days when microscopes were merely passive instruments for peering into tiny worlds. While microscopes are still used extensively for observation, the latest technology is seeking to harness this observational power to control industrial processes.

In surface engineering, surfaces are manipulated and worked, sometimes at an atomic level, to change the properties of a material. This forms the basis of silicon chip technology but is important in other industries such as metallurgy, where knowledge of the properties of materials is becoming more important.

With developments in applied microscopy, manufacturers of industrial products from silicon circuits to steel may soon be able to use images at the end of a microscope lens to identify faults - in tiny parts of a silicon chip, for example.

Image processing is the first stage in making use of microscopic images. This is based on computer techniques to improve the quality of an image, such as increasing the contrast between different shades of grey, or applying colours.

Image analysis, on the other hand, involves the interpretation of an image using mathematical or statistical techniques programmed into a computer. These might include, for example, programs to detect the edge of a patch of a particular colour or shade of grey.

One of the most elegant developments currently under way to link the tiny world at the bottom of a microscope with the bigger world of industry is being considered by EEV, a subsidiary of the UK General Electric company GEC. EEV is a highly specialised company which designs and manufactures electronic cameras - known as charge coupled device (CCD) cameras.

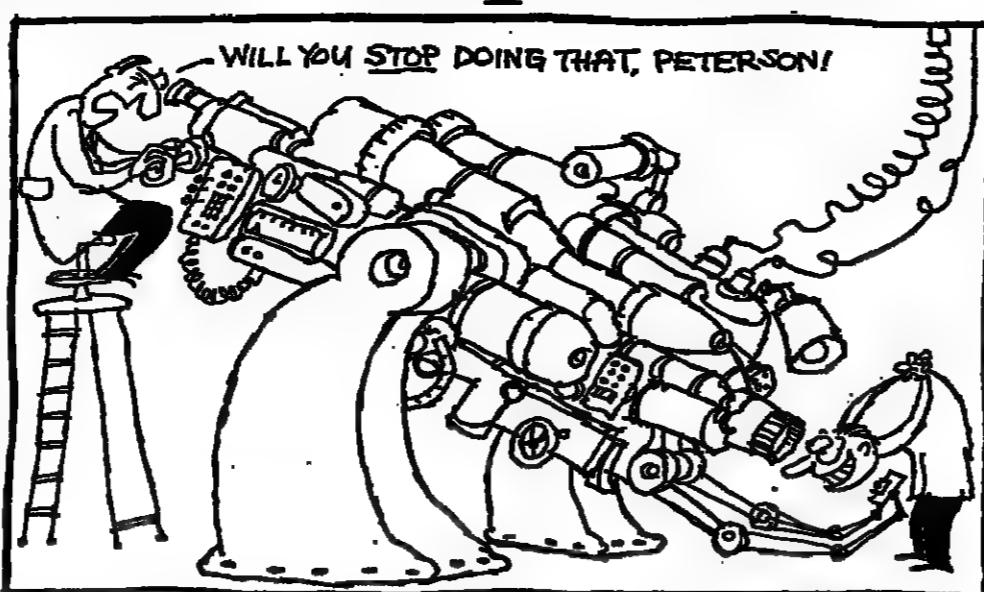
A charge coupled device is a specialised form of silicon chip that comprises an array of photo-sensitive elements, image sensors, or pixels, which respond to light images.

EEV makes the charge coupled devices as well as the cameras that use them. The second is a mounting to which a "noisy" component can be bolted, and attached with an active isolation system. Another is an optical delay line used as a mounting for a laser interferometer.

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Lynton McLain on how sophisticated microscopes are being used to control industrial processes

A surface under close inspection



scopes and cameras and the remedying of any faults that may have been detected. "It is certainly possible to automate the inspection process for CCD production and we are looking at ways of automating it," says John Morcom, manager of CCD cameras at EEV.

He envisages using computers to position a silicon chip and automatically carry out measurements of the tiny parts on the surface. The CCD image sensors are only about 10mm square and have "thousands of electrode structures on this tiny silicon sheet," Morcom says.

"Dimensional accuracy is crucial to the effective working of the device," he adds. The technique covered by the company's patent is intended to determine the dimensional accuracy and accuracy of alignment of the chip components.

EEV uses microscopes and electronic cursors to measure features on the silicon surfaces as small as two micrometres (a metre (2 micrometres), to a precision of two tenths of a millimetre of a metre (0.2 micrometres).

what Ian Buckley-Golder, the manager of the surface science and technology department, describes as "ex-situ, off-line applications."

Harwell is researching a high temperature scanning electron microscope which enables industrial processes to be observed in real time as they happen. The technique has been used to examine, at up to 10,000 times magnification, what happens at the surfaces of two aluminium workpieces when they are brazed together.

The technique involves an electron microscope with a heated anvil about the size of a small coin, in a vacuum chamber. The samples are heated at between 400-500 deg C, when it is possible to study, for example, the effect of impurities on the brazing process. "You can also study the effect of cleaning processes and oxygen and watch what happens as the brazing proceeds," Buckley-Golder says. "If the amount of oxygen is too high, the braze material sits like a ball of mercury on the aluminium work-pieces and brazing does not take place."

High temperature electron microscopy has been used to help perfect techniques for brazing the on-contract square and 10m 2ft long aluminium heat exchangers for air liquefaction plant, but the technique can be used to examine other high temperature processes as they take place.

One of the most advanced microscopy techniques being developed at Harwell has come to the rescue of NMB, a Japanese manufacturer of memory chips that wanted to test the purity of its semiconductor properties. By analysing the impurities which lay at the bottom of a tiny hole on one of the chips Harwell could discover the exact properties of the contents. But the hole was only seven tenths of a millionth of a metre in diameter (0.7 micrometres) and 4 micrometres deep.

The technique, called electron microprobe analysis, involves firing electrons on to the surface with the hole. The electrons produce X-rays from their interaction with the impurities at the bottom of the hole. The X-rays have a wavelength that is characteristic of the impurity.

According to Buckley-Golder: "This is like throwing a ball from the Moon to a pot seven inches in diameter and four feet deep on the Earth, letting the ball hit the bottom of the hole and then catching the ball."

Time to implement a security policy

COMPANIES must establish a security policy, endorsed at the highest level and underpinned by new security technologies, to counter the ever growing threat to systems security.

That is the message in a report from IT consultancy Butler Cox, based on an extensive survey of its Foundation members. Roger Hart, who conducted the investigation, says the financial loss from security failure can amount to as much as £200m to £2bn.

Companies need to draw up a formal security policy, says Hart, implemented by a security team reporting to a board member. Its responsibilities should encompass risk analysis, assessing appropriate levels of security (absolute security is hard to conceive) and establishing a system of access control.

Smartcards use the same principle, except that the process is carried out by a card member. Biometric sensors, on the other hand, identify a physical feature of the user, such as a fingerprint to a retinal scan. IBM's Transaction Security System has a signature verification facility - it compares values stored in a Personal Security Card with the acceleration and pressure applied when a user signs on.

However, security control is not just about access to the systems, but to its parts as well. The security implications of network computing systems emerged as the major concern in the Butler Cox survey. "It is a miracle to get disparate systems to talk to each other over a network at all, never mind getting their security features to co-operate. And as you couple the network to the outside world, the problem only multiplies," Hart comments.

This issue goes to the heart of operating systems design. What is needed, Hart says, is better access control software, and while it is becoming available for a small range of multi-vendor environments, computer suppliers still have a lot of work to do.

On that basis it is fair for companies to assume the worst - that despite tighter access and greater security consciousness, systems security will be breached. The least they can do then is to monitor access risk.

"You can try to fix problems until you are blue in the face," says Hart, and not surprisingly, organisations are weighing the alternatives. Hart points to two routes: authentication and smart cards for basic security, and biometric data interchange increase the risk.

Dave Madden



THE FUTURE IS NOT WHAT IT USED TO BE



Funny, isn't it, how views of the future change so rapidly.

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We're in the reality business.

We don't look at the world through a crystal ball.

We look at it through the eyes of our

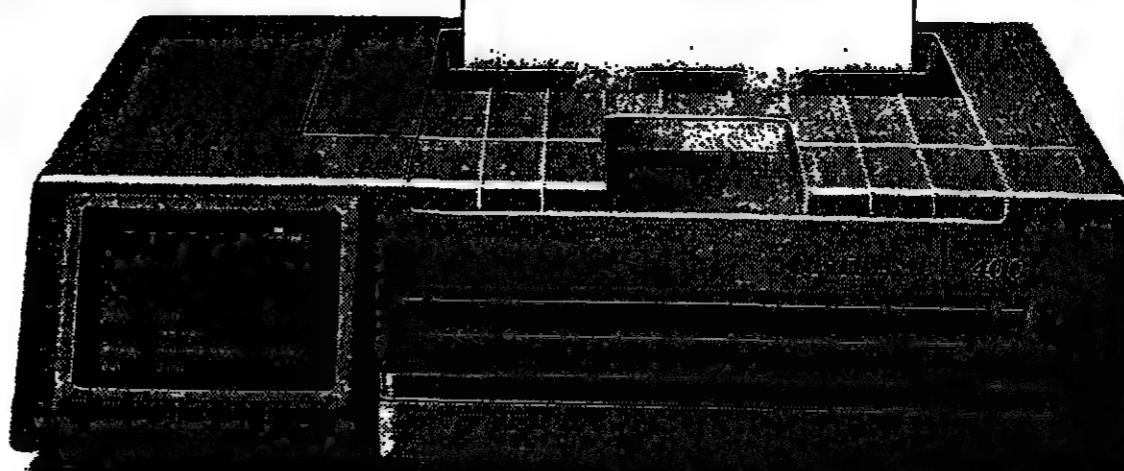
customers. Which is why, if you have an eye on the future, you'd do well to consider the people who made it possible.

The Past, Present, and Future of Network Computing.

NOVELL

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Technitron Data Ltd. is now called OKI Systems



There is good news from the world of OKI printers. Starting October 1st, Technitron Data Ltd. is now called OKI Systems.

As a wholly owned subsidiary of OKI Europe, OKI Systems will be building on the excellent reputation that has already been established. As well as bringing all the power and resources you would expect from a sub-

sidiary of OKI Electric - a Fortune 500 company and a worldwide force in electronics.

OKI manufactures in Europe and has over 1,100 employees. It offers a full range of Matrix and non-impact LED printers.

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In brief...

The successful entrepreneur is more likely to have a background in big company management than to fit the profile of enthusiastic amateur. He will usually remain in the business sector he knows and be a good communicator; able to put his case persuasively to customers and potential financial backers.

In addition, the product or service he offers will need to be better or different but not necessarily cheaper than those already on the market.

This picture of the ideal entrepreneur emerges from the Venture of the Year Award which aims to find the individuals who have made the best use of venture capital over a five-year period.

Overall winner of the award and winner of the "large start-up" category was Headline Book Publishing, started in 1984 by Tim Hely Hutchinson, a former managing director of

Security Books. With £1.3m of start-up capital and two subsequent fund-raising totalling £2.1m, Headline penetrated an already crowded field dominated by established publishing groups. In 1990 it made pre-tax profits of £200,000 on sales of 27.5m.

The competition was sponsored by Business magazine, Cartier the Jewellers and the British Venture Capital Association.

The environmental effects of new products or services may be assessed when an application for a business loan is being considered under a scheme recently introduced by National Westminster Bank.

The environmental impact could have a bearing on the viability of the business

and you can claim that a product is environmentally friendly must be soundly based, the bank said.

NatWest will need at least 50 per cent of operational costs.

New businesses based on a British invention or idea may be eligible for The Prince of Wales Award for Innovation. Awards will be made at the innovation and production stages of the venture on the basis of commercial viability, originality and technical merit. Winners receive a certificate and the right to display the award emblem.

Contact Awards Office, Business in the Community, 22a City Road, London EC1V 1LL. Tel 071 490 2173.

Dave Mait

Gordon Cheeseman, a counsellor with the government's Small Firms Service, has spent an afternoon listening to the two owners of a small home extensions business explaining their problems. Now he has some tough advice.

"You have built a business but it is out of kilter. You are one step ahead of the sheriff and if you continue as you are now you have only a limited life ahead of you. You don't have up-to-date management accounts so you don't know if you are ahead of the game. A lot of work has to be done."

Turnover of the three-year-old business more than doubled to nearly £300,000 in 1989 but costs have run out of control and it has notched up a large loss. Neither of the owners is drawing a regular salary; their personal and business debts are mounting; and it is clear that unless drastic action is taken the business will fold.

Despite this they are enthusiastic about their extensions and convinced that they offer a better value than many much pricier competitors.

Cheeseman, whose friendly but thorough questioning has exposed the management weaknesses concealed under the enthusiasm, explains what he thinks they must do.

"You either need the involvement of another company which can bring in management skills in exchange for equity or you can go back to the drawing board, draw up a business plan and suggest a refinancing formula which your bank manager will buy."

Cheeseman advises the two to think about his suggestions and draw up a more detailed plan. "Don't decide today (Wednesday)," he says dryly. "You have bags of time, to Friday or Monday. But call me with a short list of what needs doing. I won't call. The initiative must come from you."

Cheeseman's visit and the questions he has asked appear to be the first occasion on which the two business owners have stepped back and attempted to analyse their problems. Their bank manager has not in the past insisted that they prepare a business plan and they have not used their accountant for any financial planning.

With their finances clearly deteriorating, one of the partners has followed the advice of a friend's father and got in touch with the Small Firms Service (SFS), a business consulting service run by the Department of Employment. Cheeseman is one of a team

Small Firms Service

A secret which is well worth knowing

Despite its low profile, this government body has valuable specialist advice to offer, reports Charles Batchelor



CHARLES BATELOR

of 36 counsellors — most of them in their 50s and all with experience of either big or small business — in London. Throughout Britain there are about 400 counsellors. The SFS should be renamed the Secret Firms Service after a survey of its members showed that 57 per cent did not know of the SFS's existence. Compared with the £25m spent over the past three years on the DFE's Enterprise Initiative, which subsidises small and medium-sized businesses employing outside consultants, the sums spent on the SFS — £2m in 1989/90 — have been puny.

The experience of Gordon Cheeseman's two clients appears to confirm the SFS's low profile. They were told they needed something called the Small Business Agency. This turned out to be a private consultancy but it was able to refer them on.

Despite the rapid growth of the service in recent years it has not established a high profile for itself among the range of competing organisations providing help for the smaller firm. A National Audit Office report (Assistance to Small Firms No 855 HMSO 24) published in 1988 concluded that

the potential market was undoubtedly greater than that which was being reached.

The Forum of Private Business, a small firms lobby group, suggested the SFS should be renamed the Secret Firms Service after a survey of its members showed that 57 per cent did not know of the SFS's existence. Compared with the £25m spent over the past three years on the DFE's Enterprise Initiative, which subsidises small and medium-sized businesses employing outside consultants, the sums spent on the SFS — £2m in 1989/90 — have been puny.

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The future funding and organisation of the SFS is to undergo radical change as its activities are taken over by the Training and Enterprise Councils (TECs) which are being set up to deliver training and some financial assistance on a local basis. Some TECs are

already employing SFS counsellors.

While Gordon Cheeseman has been unravelling the tangled affairs of his clients, another SFS counsellor, Brian Black, has been spending a day helping Concours Motor Company, a Haslemere, Surrey car dealer, develop quality control systems.

Brian Smith, founder and managing director of Concours, had started out on his own looking at BS5750, an all-embracing British Standard for quality, but realised after a few months that he needed expert help.

Black knows the motor industry — he ran his own dealership until he sold out 18 months ago. This is his seventh session at Concours, which has sales of £13m and a workforce of 52 people.

Closed in Smith's small office overlooking Haslemere's picturesque main street, Black, Smith and John Holcroft, Concours's quality controller, spend the morning discussing how orders for service or parts should be entered in the books; how to deal with items supplied by customers such as baby seats which have often

been returned.

"I'd tell someone if I thought his business idea really didn't stand a chance but otherwise it's not my job to knock people down," says Black after the session. He has nevertheless helped two more would-be entrepreneurs temper their enthusiasm with reality. The high failure rate among small businesses — even in buoyant economic conditions — suggests the sort of assistance provided by the SFS will remain in demand in future.

To contact SFS dial Freefone

7577 222 922.

been used before and may lack fixing bolts, straps and fitting instructions.

When the three men break for lunch the office table and floor are covered with papers.

"The normal garage owner is so busy he just doesn't have the chance to get this sort of thing done," says Black.

Concours and the home extension company are both established businesses dealing with wide-ranging management issues so Cheeseman and Black have visited them at their premises. Start-up businesses or established companies with a specific problem may be dealt with in 1½ hour sessions at one of 12 local small firms centres.

It is one of these shorter counselling sessions which brings Brian Black into the SFS's London office near Victoria Station the following morning. Like the other five counsellors on hand that day Black has three appointments scheduled.

One is with two former car salesmen who hope to set up in business delivering new and used cars to dealers. Dealers frequently swap cars with rival dealers or between their own branches to meet customers' requirements. Many use salesmen to move the cars — which means the salesman is not selling — or else they entrust expensive vehicles to part-time or retired people.

Black's two clients know their industry and have carried out some preliminary market research but they want an outsider's assessment of their prospects and some detailed advice on how to get started.

"Don't get too carried away with the favourable response to your initial proposal," Black warns. "People will look at your idea much harder when they actually have to put their money down." He advises them to keep start-up costs low by working from home and gets them to itemise what their spending will be in the first few months — on insurance, buying trade licence plates, telephone and promotion.

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Angels form the majority in US

Investors in small companies are mostly individuals, Charles Batchelor reports

and invest on average in two companies within a 36-month period. Many make loans to the investee company as well as providing equity. The average equity investment is \$37,500 with an additional \$21,400 in loans and loan guarantees.

They invest with, on average, two other investors and make their expertise and support available to the investee firm as well as their money. Usually they do not require majority control and they prefer common stock or an interest in partnership equity to convertible stock, debentures or notes with warrants.

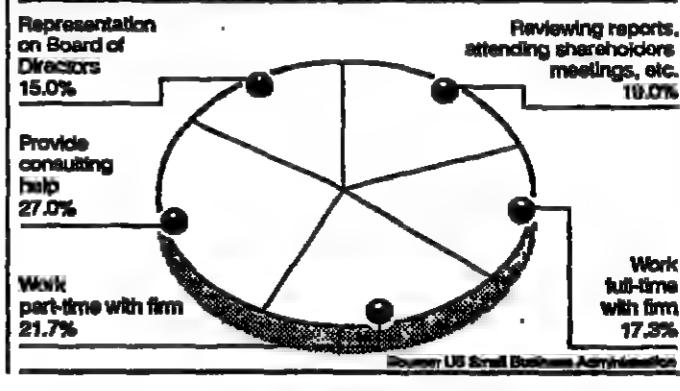
Private investors generally expect to liquidate their investment in about four years through many renewals of their holdings for 10 years or more. The average period of ownership is 5.1 years.

Investors reject seven out of every 10 proposals because they have insufficient growth potential, their equity is overpriced or they have inadequate information about the entrepreneur or key personnel.

Most investors contacted for the surveys were satisfied with the performance of their past investments and were interested in making new ones if they could find viable deals.

"Results reported in *The Informal Supply of Capital by EJ Gasson and SE Bell of Applied Economics Group, Available from The Office of Economic Research, Small Business Administration, 1441 L Street, NW Washington DC 20016, US \$10 inc. p&p.*

Investors' involvement in firms



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For further details contact E. Klemke, Joint Administrative Receiver of Coopers & Lybrand Deloitte, Albion Court, 5 Albion Place, Leeds LS1 6JP. Telephone: 0532 457332 Fax: 0532 434567

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NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 822186 Fax: 071-407 5700

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A token deal on US budget

EFFECTIVE and principled leadership in the Gulf crisis has won the United States much respect in recent weeks. But US domestic policy-making often appears, by contrast, to invite only disappointment.

Nowhere is this more apparent than in federal budget-making. After nine months of petty politicking, a budget deal of sorts has finally been reached. The President's men have eaten their master's words. But the President's credibility has been sacrificed almost in vain.

The proposed budget changes for the 1991 fiscal year – a feeble package of \$40bn in tax increases and spending cuts – pale into insignificance next to the projected deficit of \$92bn, which is more than 5 per cent of gross national product. Last January, the administration predicted a 1991 deficit of \$100bn. But slower growth, higher interest rates and the interest cost of the additional public debt arising from the failure of so many thrift institutions have greatly increased the projected deficit.

There is no reason to believe this is to be the final figure. Last year's budget deal set a target of \$100bn under the Gramm-Rudman legislation. In the 11 months to September the actual deficit had reached \$22bn. Observers warned consistently that the time to act to reduce the deficit was before recession struck. A significant tightening of fiscal policy is politically impossible when the economy is approaching a recession.

Foolish pledge

The no-new-tax pledge is revealed as foolish. Federal excise taxes will rise once congressional approval is granted. The proposed capital gains tax cut, a last lunge by the few remaining subscribers to the Reaganite view that the best way to raise revenue is to cut taxes, has also been dropped by the administration, at least for the present. Regrettably, no steps have been taken to control social security spending or reform the budget process.

The budget deal is more than just a one year package. It proposes a \$500bn deficit cut over the next five years. But these targets are unlikely to be met.

Uphill task for Labour

THIS WEEK'S annual conference of Britain's Labour party may be the last to be held before a general election. If that is the case, the chances for Labour are mixed. Mrs Margaret Thatcher's government is unlikely to risk the verdict of the electorate next year unless it is confident of winning. In consequence, there is a possibility that the Conservatives will be tempted to hold on until 1992.

There is no way of forecasting today what might happen then. Labour has sustained a strong lead in the opinion polls throughout 1990. This is largely a function of voters' disgruntlement with the poll tax, inflation and high interest rates. Since the outlook for the economy is uncertain, Labour's strategy is to make itself ready as a plausible alternative government and wait for the Tories to face the voters.

The conference is about the degree to which that state of reading has been achieved. Since 1987, when the Labour party was trounced for the third time in a row, its leader, Mr Neil Kinnock, has worked hard to transform it into the semblance of a modern European social democratic party.

The old party was deeply suspicious of Britain's membership of the European Community; the new one embraces it. Old Labour was unilateralist; new Labour is not. The party of 1987 proposed renationalisation of a goodly list of industries; the party of 1990 acknowledges, with qualifications, the victory of market economics over quasi-Marxist economics – although it plans to resume some form of state control over British Telecom and the water companies. The dying Labour party was ill-organised and subject to the machinations of leftwing cabals; the resurgent Labour party is firmly in the grip of Mr Kinnock's personal cabal.

Convincing the public

It is hardly surprising, therefore, that Labour strategists regard the proceedings in Blackpool as an exercise in convincing the public that the extraordinary conversion that has taken place over the past three years is genuine. The natural Conservative reaction might be to insist that it is all

indeed, experience suggests they will not be. A five-year package involves no more tangible commitment to real deficit cuts than did the discredited Gramm-Rudman targets – just an empty promise of action in the future.

Third deficit

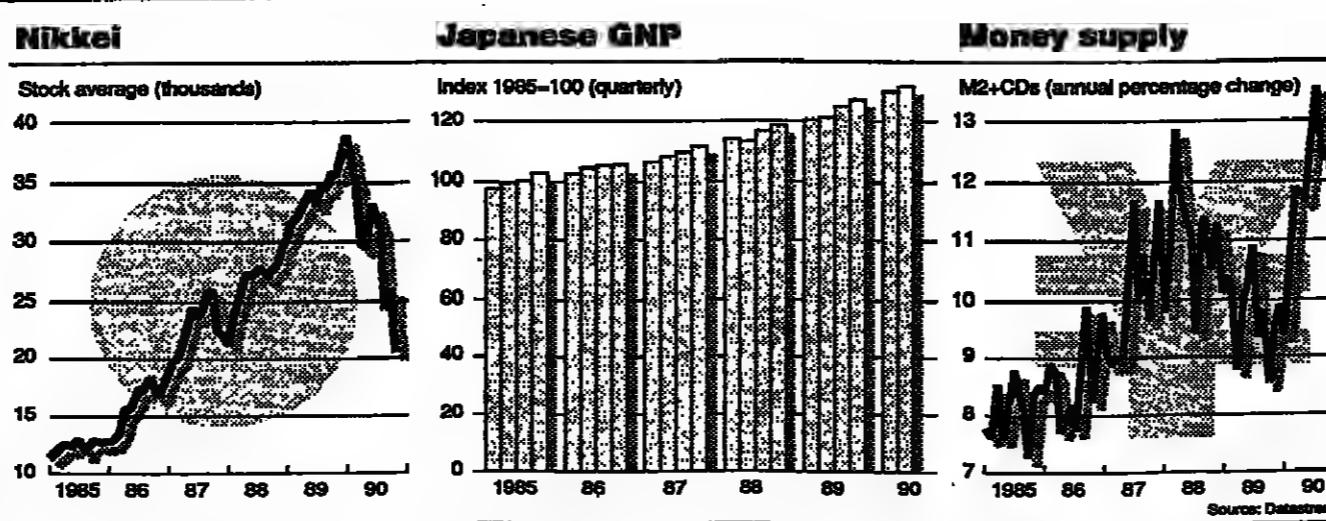
Meanwhile, concern over the twin deficits – in the budget and in external trade – has diverted attention from a third and growing deficit. The gap between the infrastructure and social needs of many regions of the US and the amount the electorate has been willing to vote to meet those needs has widened, despite the projected deficit of \$92bn, which is more than 5 per cent of gross national product. Last January, the administration predicted a 1991 deficit of \$100bn. But slower growth, higher interest rates and the interest cost of the additional public debt arising from the failure of so many thrift institutions have greatly increased the projected deficit.

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Into the worst of seasons in Japan

The plunge in equities in Tokyo appears to herald trouble for the economy as a whole, writes Stefan Wagstyl

At the end of trading in the Tokyo stock market yesterday, stockbrokers painfully recorded another entry in the record books.

A gap has been created by the unwillingness of the US taxpayer to pay for the expenditures desired by the same person as a voter. It has been bridged, in part, by the transformation of the world's greatest power into its largest debtor in the space of a decade. Capital hungry developing nations have been crowded out of international capital markets as a result.

However disappointing, the budget deal is a step in the right direction. But the US will still borrow at least \$250bn next year. Our past performance, the outcome is likely to be worse. A significant rather than token cut in the deficit would have eased pressure on long bond yields and the costs of financing distressed US corporations.

Mr Alan Greenspan, Federal Reserve chairman, has given hostages to fortune by indicating willingness to cut interest rates if there were a budget deal. With deficits of this size and short-term nominal interest rates close to those in both Germany and Japan, his room for manoeuvre is limited, at least until world interest rates fall. At current interest rates the dollar is falling. A significant drop in rates could convert this unavoidable slide into a precipitate fall. Given the minimal content of the deal, Mr Greenspan's best response would probably be to ignore it.

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Uphill task for Labour

Iraq's invasion of Kuwait made things worse by adding fears of a possible war and a shortage of oil to Tokyo's cocktail of uncertainties.

Bears are prowling. Individuals have been selling stock to pay off investment loans. Few buyers have been willing to take their shares, with institutional fund managers largely staying out of the market. Some forecasters fear that a further decline in stocks could spark a sell-off in land with unforeseeable consequences.

Shares are unlikely to rise from current levels unless interest rates begin to look as if they might fall. Of this there is little sign. The Bank of Japan is committed to suppressing inflation, even at the cost of more declines in stocks.

The demand for credit remains high on all sides. Industrial companies have been forced to increase borrowing because raising capital is difficult given the current state of equities and land.

That may sound healthy by US or British standards but is slow for Japan. In the worldwide recession of the early 1980s, economic growth in

Japan dipped below 3 per cent year-on-year in only two quarters. According to national surveys, companies have yet to cut their capital spending in response to the rise in interest rates and a possible slow-down in growth. Increases of about 14 per cent are forecast for 1990. But 1981 could be different: economists are preparing to cut their estimates from pre-invasion levels of 7.5 per cent to below 5 per cent.

Even this could turn out to be an over-estimate. In recent days, news has begun to emerge of companies planning cuts. Yesterday Asahi Chemical, a leading manufacturer, confirmed it was postponing plans to expand an ethylene production plant. Ethylene capacity has been expanding

rapidly in Japan in response to growing demand. But the company said the Middle East crisis had created sufficient uncertainty for Asahi to change its plans. An official said: "It's too big a risk. We don't want to commit commercial suicide."

If companies cut investments and if exports are hit by a slow-down in the US, can Japanese consumers take up the slack? Consumer spending remains buoyant, despite the turmoil in the stock market. Japanese individuals have less than 20 per cent of their savings in securities, so the direct effect of a fall in equity values is small. Isetan, a leading department store, said a decline in sales was noticeable only in super-luxury goods. "Y100 (240,000) paintings and jewellery are not selling so well. Y100,000 dresses are fine,"

he said. Compared with other countries, Japanese consumers still spend a large proportion of total gross expenditure, 54 per cent, the lowest level among the Organisation for Economic Co-operation and Development countries. However, even if consumer spending continues to increase, it is difficult to see if it is rising fast enough to compensate for any sudden drop in capital spending growth.

The great imponderable is the effect of the fall in equities on land. The increase in interest rates is putting pressure on property prices, with falls of 20 per cent or so reported in parts of Osaka, Japan's second largest city. But prices in Tokyo seem to have weakened by much less. Some speculative investors are in financial difficulties. The Bank of Japan wants to see land prices fall steadily, even at the cost of some bankruptcies, but it does not want to see a collapse of the scale seen in the stock market. Even if financial companies have been able to absorb most of the impact of the fall in stocks, no one in Tokyo believes they could absorb the impact of a collapse in land anything like as easily.

Demand for credit remains high on all sides. Industrial companies have been forced to increase borrowings because equity capital is difficult to raise

of the equity market. They need funds to take advantage of continuing strong economic growth. At the same time, Japanese banks have been securing the markets for funds to repair their balance sheets from the damage done to them by the plunge in equities.

After interest rates, investors' chief concern is oil. Japan is almost totally dependent on imported energy. The government's Economic Planning Agency calculates that every 10 per cent rise in oil prices reduces economic growth by 0.1 percentage point and stimulates inflation to the tune of 0.1 percentage point increase in consumer prices.

The Bank of Japan believes that inflation is the greater threat, not least because

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German unification

Curtain falls on an artificial division

By Willy Brandt

October 3 – the day of the ending of the division of Germany – is a date of great relief, a time of joy. That, indeed, is the feeling of the great majority of my compatriots and women. It must not be overlooked that there are other opinions. More than a few young people in West Germany find it difficult to reconcile themselves to the thought of unity. Some – not the worst of our citizens – fear a wrong turning down the path of nationalism. Another worry for some of the population in the Federal Republic concerns the expected cost of unity. And, in what has been East Germany, many people had not reckoned with having to experience unemployment and social hardship.

I am sure that in only a few years' time all this will be behind us. I am not so certain, however, about the way that our European neighbours, and other partners, will react to the appearance of a larger Federal Republic. Germany's critical mass in Europe has again become a focus of preoccupation. The question is: will the Germans deploy their economic and political weight in a sensible way?

I find nothing strange about questions of this kind. But I hope that all those looking at Germany today will not lose sight of three important factors. First, having Germany divided by the force of foreign arms could not have been the last word of history. It can hardly be said that this was a guarantee for stability.

Second, the democratic system which was established just over 40 years ago in Germany's western zones has proved its ability to weather crises. This system of democracy and western liberalism will now be extended to what was previously the Soviet Union's occupied zone of Germany.

Third, the new Germany is the effect of the fall of the old kind. On the contrary, it is a federal structure – and, in the future, will be even more so. Germany is already embedded in Europe, not only through treaties but also through the consciousness of its people. Germany can now become a "motor" of European unity, which progresses beyond what we have so far accomplished in the European Community.

Those who still harbour anxieties should ponder on the external factors which helped make October 3 possible. The validity of Poland's western border has now been definitely established. Germany will remain in Nato, but with reduced armed forces. The renunciation of atomic, biological and chemical weapons is



INTERNATIONAL COMPANIES AND FINANCE

Skandia to list in London under EC mutual rules

By Richard Lapper in London

SKANDIA GROUP of Sweden is about to become the first European insurer to be listed on the International Stock Exchange in London under European Community rules which provide for mutual recognition of listing procedures between EC member states.

Skandia, Sweden's biggest insurer and one of the world's top 10 re-insurers, lodged the listing application yesterday, and the stock exchange is expected to grant permission for the company to list its shares tomorrow.

Kleinwort Benson, the UK merchant bank, and Sweden's Enskilda Securities expected to make a market in the shares when dealing begins on Thursday. The mutual recognition procedure, introduced earlier this year, allowed Skandia to use the same prospectus as the one drawn up for its listing in Copenhagen last week.

Mr Bjorn Wolrath, chief executive, said a conventional London listing would have been more time-consuming and expensive. Skandia was planning no new share issues, but aimed to make more use of international capital markets.

Skandia has already extensively used the London market — 2m of the company's shares exchanged hands there in the first eight months of this year — but is seeking a formal listing to reinforce its programme of international expansion.

Mr Pohjola, Pohjola's head of re-insurance, said Pohjola would not write life re-insurance from January 1 and would limit its non-life re-insurance. This would reduce its re-insurance business by about \$50m. The aim was that Skandia would renew this business.

Mr Pohjola said re-insurance had lost money for Pohjola, as for many other insurers. The co-operation agreement would leave Pohjola with the company's business that could produce profits.

Esselte sells printing units

By Jack Burton in Stockholm

ESSELTE, the Swedish office products group, yesterday continued to divest itself of its publishing and media interests by selling its printing operations — its original business — in a management buy-out.

The new owners will consist of executives from Esselte's four printing companies, which have an annual combined turnover of SKr250m (\$24.6m), as well as Skandinaviska Enskilda Banken, Sweden's largest commercial bank.

group, through its subsidiary Scandinavian Acquisition Capital, which will provide capital and debt financing.

Plans call for the printing companies to be combined into a new concern to be listed on the Stockholm bourse.

Esselte has made good progress in disposing of assets outside its core business of office products as part of a shake-up to increase profits. It expects to sell shortly its remaining media operations, including the pay TV channel Filmnet.

Robeco invests heavily in limiting reputation damage

The events of the past few days have proved a rude awakening for Robeco, the venerable Rotterdam-based investment group which is unused to being in the spotlight.

Dutch financial institutions are not given to sudden changes of direction. The upheavals at Rodamco, the Dutch property fund which belongs to Robeco, were, therefore, an embarrassing blow which have partially tarnished the parent company's image.

It is not just over a week since Rodamco abruptly stopped buying back its shares in the UK, by Skandia Life during the late 1970s, is an important growth area.

New unit-linked life operations have been established in Switzerland and the US. Following imminent legal changes in Sweden, Skandia should soon be able to sell unit-linked life business at home. Future plans include the opening of life operations in Germany.

• Pohjola of Finland said it was co-ordinating its re-insurance business with Skandia International, a Skandia subsidiary, Reuter reports.

Mr Markku Paaikko, Pohjola's head of re-insurance, said Pohjola would not write life re-insurance from January 1 and would limit its non-life re-insurance. This would reduce its re-insurance business by about \$50m. The aim was that Skandia would renew this business.

Mr Paaikko said re-insurance had lost money for Pohjola, as for many other insurers. The co-operation agreement would leave Pohjola with the company's business that could produce profits.

This damage limitation is significant, for even without Rodamco to worry about, Robeco has been faced with a series of challenges. Still the market leader in Dutch retail investment, it has had to confront stiff competition for clients' funds from insurance companies and pension schemes as well as from other investment funds.

Robeco, whose "flagship" fund of the same name was founded in 1933, is the largest independent investment group outside the US. Its name stands in Dutch for the Rotterdam Investment Co-operative. After nearly 60 years of investing, the group has amassed shareholders in 80 countries, though the Netherlands still

generates nearly three-quarters of its business.

Its investments in shares, bonds and property are spread more internationally than its shareholders, with North America, Europe and the Far East each accounting for roughly one-third. The pattern differs greatly from fund to

The Robeco group has produced solid returns over the years, but its recent performance has been modest, in keeping with difficult conditions on world capital markets.

Robeco, with total funds under management of F1.45bn (\$25.7bn), owns part of the re-valuation of its assets. Investors can switch in and out of the group's share, bond and property funds by using the Ro-giro giro system.

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required to do so.

That truth hit home on Monday when Robeco suddenly dropped this voluntary intervention policy at Rodamco, because of a flood of shares being presented for redemption, forcing Rodamco to pay out F1.25m in the first nine months of 1990. "We had to do

it because the amounts which we had to buy in were so large that the bottoms of the vaults came into view," Mr Pieter

weather the storm. "This has caused a dent in its image, but the damage is certainly not beyond repair," says Mr Fokko Tulin of Kampen & Co in Amsterdam.

Robamco, which was established in 1979, was the world's first, and so far only, major publicly-listed property fund to adopt an open-ended structure.

After struggling in the early

years, Rodamco grew quickly,

partly by acquisition. Its portfolio of prime commercial property is worth F1.8bn, making it

the world's fourth largest property fund.

However, investors are clearly nervous, as was

reflected in unusually heavy turnover last week on Wednesday, the first day of trading in Rodamco following Monday's

Tootal declines 17% to £16m

By Jane Fuller in London

TOOTAL Group, the UK textiles concern in which Coats Viyella retains a 29.9 per cent stake after an aborted merger, suffered a fall in pre-tax profit of 17 per cent to £16.1m in the six months to July 31.

In thread, which accounted for 44 per cent of sales and where the merger would have created the world's biggest single force, trading profit was down by 10 per cent.

Group turnover advanced by 5 per cent to £266.81m. Mr Geoffrey Maddrell, chief executive, said that ongoing activities would have led to a 13 per cent sales increase at constant exchange rates.

Most of the £3.3m fall in pre-

tax profit was due to the phasing out of the Da Gama South African business and the sale of Sandhurst, an office supplies subsidiary. A £1m profit from the Da Gama sale was included in group profit.

Mr Maddrell said 40 per cent of trading profit came from Asia and continental Europe, where sales had grown 30 per cent. The UK's profit contribution was 26 per cent, while the US was responsible for 30 per cent.

In thread, sales increased by 5.5 per cent to £117.92m, but trading profit fell to £9.5m. The strengthening pound had adversely affected the figures, he said.

Earnings per share fell 22 per cent to 3.62p as the tax rate rose from 27 to 33 per cent. See Lex, Page 24

Performances ranged from strong growth in Hong Kong and China, where profit margins were more than 15 per cent, to the UK, which was still causing concern after a cost-cutting exercise involving 200 redundancies. The North American market had also suffered.

Sales and profit growth in the fabric division was more than 20 per cent, at 282.78m and 22.4m respectively. Mr Maddrell said last year's move into southern Europe had paid off.

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Earnings per share fell 22 per cent to 3.62p as the tax rate

shares. SAS did not say what percentage of SHH the purchase represented, but said the deal was part of a co-operation accord signed between Fimcar and SAS in 1989.

■ Trelleborg, the Swedish conglomerate, said its subsidiary Soliden Intertrade had acquired US-based Tennessee Chemical Company (TCC) for an undisclosed sum. Trelleborg said TCC was a producer of sulphuric acid and had an annual turnover of \$70m. Soliden Intertrade is one of the world's largest traders of sulphuric acid.

■ Deutsche Aerospace (Dasa), the Daimler aerospace unit, signed an agreement with US General Electric's aerospace division to cooperate on commercial satellite transmission. Dasa said the agreement would increase both companies' market potential.

COMPANY NEWS IN BRIEF

GREY, the New York-based marketing group, bought a minority holding in Malesyntyma, one of the largest advertising agencies in Finland, writes Alice Rawsthorn. Malesyntyma will be renamed MY & Grey. Grey group is the largest player in Finnish advertising with billings of \$125m.

■ Scandinavian Airlines System said Finland's Finnair had bought a 51m minority stake in its SAS International Hotels (SII) agencies report. SII has 26 hotels in Scandinavia, Hamburg, Brussels, Amsterdam and Vienna. It also has a 40 per cent stake in the Intercontinental Hotel chain. Finnair is investing \$10m in an issue of SII preferred and convertible

shares. SAS did not say what percentage of SHH the purchase represented, but said the deal was part of a co-operation accord signed between Fimcar and SAS in 1989.

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pany, has bought stakes in Belgian and Canadian companies with a combined turnover of about FF400m (\$76.3m). The company said it took a 45 per cent stake in Canadian water analyst Zenon Environmental Laboratories, which had a turnover of FF10m in 1989. It also bought 20 per cent of CREA, the Italian sewage treatment company, with a FF130m turnover.

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■ Lyonnaise des Eaux-Dunier, the newly created French water and construction com-

pany, has bought stakes in Belgian and Canadian companies with a combined turnover of about FF400m (\$76.3m). The company said it took a 45 per cent stake in Canadian water analyst Zenon Environmental Laboratories, which had a turnover of FF10m in 1989. It also bought 20 per cent of CREA, the Italian sewage treatment company, with a FF130m turnover.

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September 1990

This announcement appears as a matter of record only



Electricidade de Portugal — Empresa Pública
Lisbon, Portugal

US\$ 50.000.000

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"Sensations", AVI's new line of products is a one-coat satin acrylic paint. One could hardly expect less from the inventor of the one-coat paint.

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This Rolls Royce of the one-coat paint exists in 14 colours which, thanks to their special high-

performance pigments, stay looking fresh longer. New "Sensations" are completely trouble-free, they have no unpleasant smell, they do not drip and they dry in 30 minutes.

However, there is one surprise which will completely fail to (unpleasantly) surprise the consumer. "Sensations" will be sold in transparent pots. This is the best way to show you colour right from the start.

Take note all of you who see red when you discover

the very vague similarity between the actual content of the pot and what you imagined it would be like. Indeed by giving the new "Sensations" this rare and unique jewel case, AVI is placing this new line of products among the gems of technology.

A.M.

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LEGAL NOTICES

JACOT INVESTMENT SERVICES LIMITED

Registration Number: 3226595

Name of business: JACOT INVESTMENT SERVICES LTD

Trade classification: 49

Date of appointment of joint administrative receivers:

21 December 1990

Name of person appointing the joint administrative receivers:

S. P. Jacot

Other: Martin Institute and John Michael Thompson

Office holder numbers 2104 and 2105

Clark Gully

Shelley House

3 Holborn Street

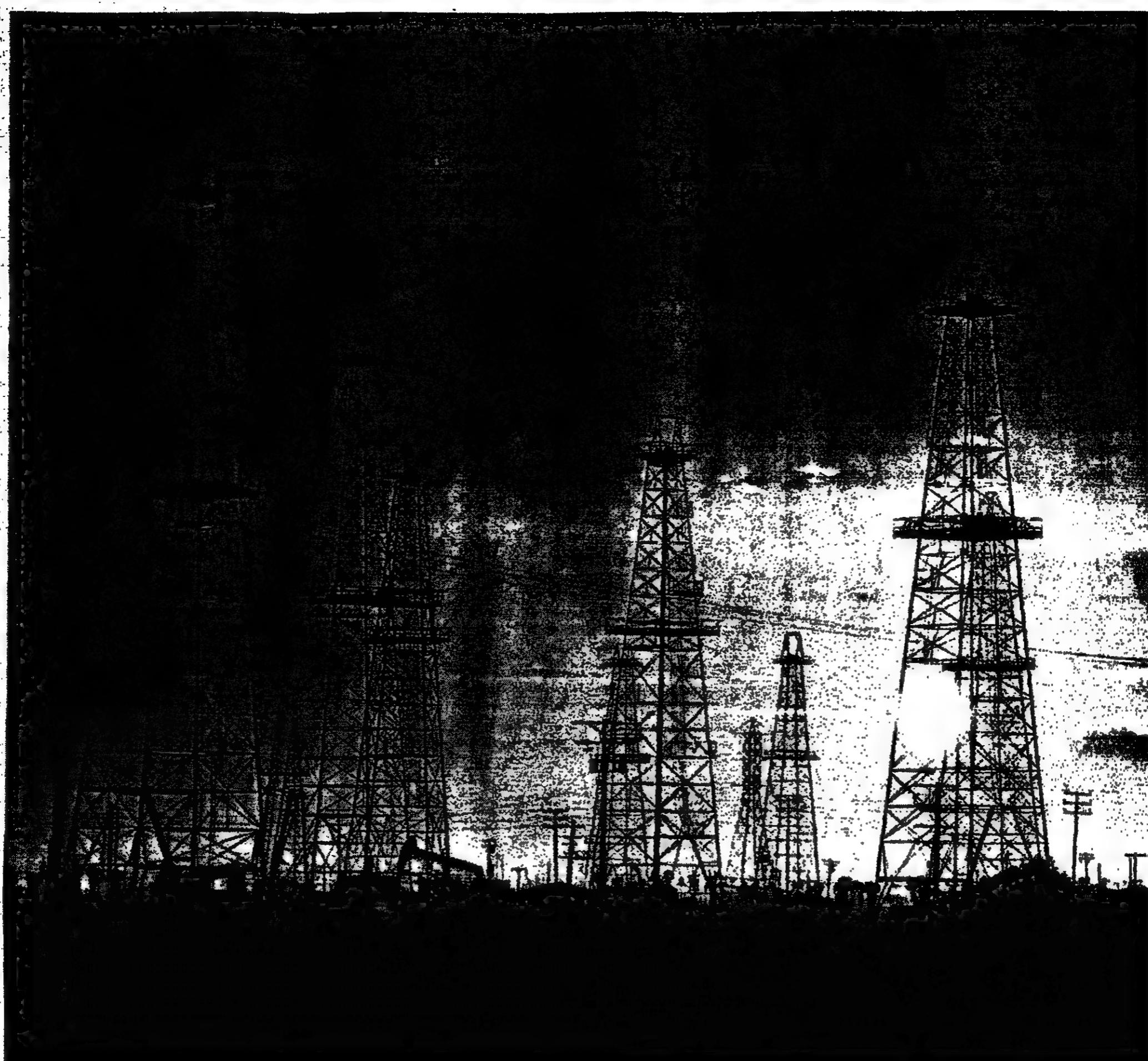
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Notice to the Holders of Canadian Pacific Limited

U.S. \$75,000,000 Retractable Debentures due 1990/1999 (the "Debentures")

NOTICE IS HEREBY GIVEN that pursuant to paragraph 2.02(2)(b) of the Trust Indenture pertaining to the above-captioned issue the Debentures shall bear interest for the Interest Period commencing on October 15, 1990 and ending on October 14, 1995 at 9.60% per annum.

Any Debentureholder may, upon giving notice accompanied by such Debenture to any of the Paying Agents listed below or after September 28, 1990 but not later than October 5, 1990, irrevocably elect to have such Debenture redeemed by Canadian Pacific Limited on October 15, 1990 at a redemption price equal to 100% of its principal amount together with accrued interest to October 15, 1990 whereupon Canadian Pacific Limited will become obliged to redeem such Debenture at such price on such date. Pending completion of such redemption, the relevant Paying Agent will hold such Debenture to the order of the Debentureholder. Such notice of election must be in a prescribed form, which will be available at the office of each Paying Agent specified below.

Each Bearer Debenture payable on redemption must be surrendered for payment with all unmatured coupons pertaining thereto, failing which, in the case only of coupons maturing for payment on or prior to October 15, 1990 the amounts of any such unmatured coupons will be deducted from the sum due for payment and, in the case of coupons maturing thereafter, payment in respect of such Bearer Debenture shall be made only on such terms as to evidence and indemnification as Canadian Pacific Limited with the consent of the Principal Paying Agent may require. Each amount so deducted will be paid, without interest, in the manner mentioned above against surrender of the missing coupon within a period of six years from the due date for payment thereof.

Each Registered Debenture payable on redemption prior to maturity thereof must be surrendered for payment with the form of transfer thereon duly executed.

Interest upon the principal amount of the Debentures selected for redemption shall cease to be payable from and after October 15, 1990.

Paying Agents
Bank of Montreal
11 Walbrook
London EC4N 8ED

Swiss Bank Corporation
Aeschenstadt 1
CH-4002 Basle
Switzerland

Bank of Montreal Trust Company
77 Winter Street
New York, N.Y. 10005

Bank of Montreal
First Canadian Place
Toronto, Ontario
M5X 1A1

DATED: LONDON, October 2, 1990
For and on behalf of
Canadian Pacific Limited by
BANK OF MONTREAL
Principal Paying Agent

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / September, 1990

\$200,000,000

Malaysia

9% Bonds Due 2000

Salomon Brothers Inc

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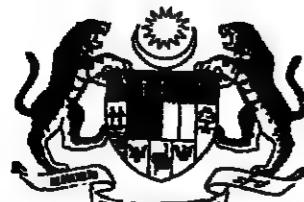
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Merrill Lynch Capital Markets



INTERNATIONAL COMPANIES AND FINANCE

Time running out for ENTEL deal

By John Barham in Buenos Aires

Campeau increases midway net loss by 68%

By Bernard Simon
in Toronto

A HUGE debt-service burden, reduced operating income and asset写downs pushed Campeau Corporation, the ailing Canadian real estate and retailing group, into another big loss for the six months to July 31.

The net loss was US\$321m, or US\$7.36 per common share, up from \$151m (\$4.62 a share) a year earlier. The company, whose US department store subsidiaries, Federated and Allied, filed for Chapter 11 protection from their creditors this year and which is struggling to extract concessions from its lenders, had a shareholders' deficiency of \$36m on July 31, against \$1.7m a year earlier.

Operating income slid to \$252m from \$425m. Financing costs totalled \$451m, down from \$675m a year earlier. Campeau's long-term debt totalled \$2.95bn on July 31.

The 1990 loss does not include \$125m of interest on unsecured debt of the department store groups, nor \$24m in dividends on Allied's preferred shares.

Besides the financing burden of the \$151m takeover of Federated and Allied, Campeau's core real estate operations have been hit by the steep downturn in the North American commercial property market. Operating income from real estate plunged to \$2m from \$75m, due largely to a \$36m provision on a mixed-use development in Boston.

The latest results include a \$23m writedown on unsold real estate assets.

Campeau's future hinges largely on negotiations to extract debt standstill agreements from two creditors - US shopping mall developer Mr Edward J. DeBartolo and Olympia & York Developments of Toronto.

The company last week extended until this Wednesday a deadline for renegotiating the terms of \$280m of debt owed to Mr DeBartolo.

Campeau defaulted on the debt last January, and Mr DeBartolo can seize collateral on nine days' notice.

Its shares were trading at 86 cents in Toronto yesterday, compared with last year's peak of \$32.75.

The bright spot is Ralphs Grocery Company, a California supermarket chain not in Chapter 11, whose operating profit rose to \$60m from \$55m.

It has 14 distribution centres in 11 states, with some weighting towards the west and south. Wal-Mart said that these would continue to service their existing customer base, as well as Wal-Mart outlets.

Unisys in

launch of software

By Michael Staplinker in London and Louise Kehoe in New York

UNISYS, the US computer company, yesterday announced the introduction of software which would integrate its systems with those of other manufacturers.

The move follows last week's announcement that the company, the world's fourth largest computer manufacturer, was suspending payment of quarterly dividends on its common shares to reduce its debt.

Unisys also said it expected to report a loss for the current third quarter and to return to profitability in the fourth quarter.

Unisys, formed in 1986 following the \$4.8bn acquisition of Sperry by Burroughs, has carried a heavy debt load since. At the end of the second quarter the company's long-term debt was \$3.6bn.

The new products were introduced yesterday in London and New York.

Mr John Parry, chairman of Unisys in the UK, said: "The Unisys architecture is based on the recognition that organisations today are demanding the freedom and flexibility to choose the best solution, regardless of who the vendors are."

"They want to be assured that their systems will work together to form a cohesive, accessible information network."

to meet the deadline, its bid would be cancelled and a group led by Morgan Guaranty Trust, third in the original bidding battle for ENTEL, Argentina's state-owned telephone company.

Ms María Julia Alsogaray, ENTEL's administrator, said yesterday that the October 4 deadline for signing the sale contract was "irreducible". But bidders in Buenos Aires say the consortium still faces difficulties in getting together the cash and debt-for-equity instruments.

President Carlos Menem said that, if Manufacturers Hanover, Argentina's largest commercial bank creditor, was unable

to back of some of the airline's aircraft.

The Manufacturers Hanover group offered to pay \$100m in cash plus \$2.3bn in Argentine debt certificates for ENTEL.

These certificates are now valued at 13 per cent of face value on the secondary debt market.

However, it has failed to convince other

creditor banks to swap their Argentine debt certificates for shares in ENTEL,

meaning that:

it may not sign the sale contract. The

contract binds the government to turning over ENTEL on October 8 and commits the buyers to provide the necessary cash and debt paper on the same day.

Modern Armada enters Argentina

John Barham on Spanish moves into an economy starting to go private

Two years before Spain celebrates the 500th anniversary of Christopher Columbus's journey to the Americas, Spain's public companies are returning to take control of key sectors of the Argentine economy.

However, efforts by the Spanish government to encourage public and private investments in Argentina's troubled economy are running into problems.

The government of Mr Felipe González has encouraged Spanish state companies to invest in Argentina, both to support President Carlos Menem's huge task of reforming the economy, and to encourage private Spanish companies to hunt for profitable opportunities in Latin America.

Mr César Alba, chief of the Spanish embassy's commercial office in Buenos Aires, said: "Companies preparing for 1991 are finding they do not have any space in Europe and the government thinks there is great potential for growth in Latin America, once the necessary adjustments have been made."

Spain has become a net capital exporter. Last year it saw an outflow of \$1280.4bn (\$23.9bn), an increase of 22 per cent over 1988. However, Argentina is getting a smaller slice of the bigger cake. Its share of Spanish investments has shrunk to 1.3 per cent in 1989, from 1.7 per cent in 1988 and a high of 3.7 per cent in 1987.

Now, five large companies are spearheading the investment effort by participating in

Argentina's privatisation programme.

• Iberia, the Spanish state-owned airline, with a group of

Argentine investors, is acquiring 85 per cent of Aerolíneas Argentinas, the Argentine national airline.

• Telefónica de España, the telephone company part-owned by the Spanish government, plans to take over half of ENTEL, Argentina's telephone company, with a group of

Argentine investors.

• Repsol, the Spanish oil company, with a group of

American banks and Argentine investors. This could be increased to the entire company.

• Espana, the Spanish railway company, Repsol, the state oil company, and Unión Eléctrica, a power company, part-owned by the government, are in the running to buy other Argentine government assets.

Madrid has also offered Argentina a soft loan and investment package worth

\$1bn, although disbursement of the funds is lost in Argentina's labyrinthine bureaucracy.

Argentine assets are reasonably cheap, developed natural resources and industry has spare capacity.

Above all, President Menem's privatisation programme is undermined by debt-for-equity conversions, in which foreign banks accept heavy discounts on their Argentine loans by swapping them for shares in companies or selling them to investors.

For instance, Iberia and its partners, the only group to bid for Aerolíneas Argentinas, are to pay the government \$150m cash and \$150m spread over five years, plus Argentine debt worth a nominal \$2bn, part of which they are paying through shares in Aerolíneas.

Some believe that Spain's cultural and historical ties with Latin America make it easier for Spanish companies than for competitors from other countries to do business in Argentina.

Iberia has bid for a 30-year

concession to run freight traffic on a 5200km stretch of railway with a group of Argentine partners. But Spanish business executives are not rushing to follow the state companies' lead.

Spain has bid for a 30-year

concession to run freight traffic on a 5200km stretch of railway with a group of Argentine partners. But Spanish business executives are not rushing to follow the state companies' lead.

Furthermore, business confidence will grow immeasurably if Mr Menem sticks to his free market policies and applies the brakes to the monthly inflation rate of 15 per cent.

Should Telefónica and Iberia succeed in the awesome task of making their Argentine ventures well-organised and profitable, then perhaps, private companies may be cheap, but it's an extremely chaotic, bureaucratic and corrupt country - there is no doubt that corruption

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U.S. \$40,000,000 Industrial Bank of Finland Ltd. (Suomen Teollisuuspankki Oy) Guaranteed Floating Rate Notes Due 1994



In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 22nd September 1990 to 22nd March 1991 the Notes will carry an Interest Rate of 5.5% per annum and the Coupon Amount per US\$10,000 will be US\$430.50

Merrill Lynch International Bank Limited
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NOTICE OF PREPAYMENT

EUROFIMA

Société Européenne pour le Financement de Matériel Ferroviaire

FF 300,000,000 11 1/2% Bonds due 1992

In accordance with paragraph "Optional Prepayment of the Terms and Conditions of the Bonds", notice is hereby given that Eurofima will prepay on November 7, 1990 the total amount remaining outstanding of the above-mentioned Bonds at 101% of their principal amount.

Payment of interest and premium due on November 7, 1990 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from November 7, 1990.

Luxembourg, October 2, 1990

The Fiscal Agent
KREDIETBANK
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INTERNATIONAL COMPANIES AND FINANCE

Matsushita and MCA plan joint venture company

By Robert Thomson in Tokyo

THE Victor Company of Japan (JVC), a member of the Matsushita Electric group, yesterday announced an agreement with MCA Music Entertainment, a unit of MCA of the US, to form a joint venture company to market recorded music in Japan and to promote Japanese recording artists.

JVC announced the deal yesterday because of rumours that the agreement was part of a Matsushita takeover of MCA, reports of which surfaced last week.

JVC made clear that the new record company is separate from any takeover negotiations and that the agreement should not be taken as a sign that

Matsushita will buy the MCA group.

The rush to end those takeover rumours has meant that few details are available about the new company, which will be equally owned by MCA and JVC/Victor Musical Industries, but which has yet to be named.

"We felt we should make this deal public because of the rumours. We have a memorandum of understanding and of the name of the company and of the president, and the amount of capital will come later," the spokesman said.

The new company will market all MCA artists in Japan, including those of Geffen Records, acquired earlier this year and run by Mr David Geffen, and will begin operations after 1991, when current licensing agreements with Warner Music International expire.

Artists covered by MCA labels include Guns and Roses, Aerosmith, and Tiffany, while JVC labels cover a range of Japanese artists. The joint venture company will attempt to discover new Japanese artists and market them internationally.

The agreement fits the trend of Japanese consumer electronics makers seeking to expand their entertainment software networks, which is also the basis for Matsushita's interest in the MCA group.

VW competes for Skoda stake

By Kevin Done, Motor Industry Correspondent



Pehr Gyllenhammar: paid a visit to Prague

VOLKSWAGEN of Germany and the newly formed alliance between Renault and Volvo have submitted competing bids to take substantial equity stakes in Skoda, the Czechoslovak car maker.

VW made its presentation to Skoda yesterday, while Renault and Volvo submitted a joint bid late last week. It is expected that Skoda and the Czechoslovak government will make a final decision on the competing bids within the next four weeks.

Under the terms of the Franco-Swedish bid it is understood both Renault and Volvo would directly hold shares in Skoda.

Renault and Volvo agreed last week the final terms of their far-reaching alliance under which they will take 25 per cent cross-holdings in each other's car operations and 45 per cent cross-holdings in their respective truck operations.

The bid for a stake in Skoda is the first time that the two companies have sought to make a joint approach to another vehicle maker.

Skoda, which produced 183,000 cars last year, has been one of the main targets for western car makers seeking an entry into eastern Europe.

Advised by Price Waterhouse, the international business consultants, Skoda originally examined approaches from eight European and US car makers, before seeking final

chief executive of Volvo — as part of a French delegation led by President François Mitterrand and including five French government ministers.

Mr Patocka said earlier this year that Skoda's priorities were to satisfy the Czechoslovak domestic market and to maintain exports to western markets to earn foreign currency and to ensure access to materials from western suppliers.

Skoda was aiming to double car output during the 1990s, said Mr Patocka, in collaboration with a western partner. It was seeking to increase production of its present Favorit range, which was styled by Italy's Bertone, to 250,000 by 1994/95, and was aiming also to double exports to maintain sales in western markets at 25 to 30 per cent of production.

The Czechoslovak motor industry is seen as the most advanced in eastern Europe, and western vehicle makers are also competing to establish joint ventures with BAZ, the Bratislava automotive works, which is seeking to set up a modern assembly venture for light commercial vehicles.

Separately, General Motors of the US is hoping to finalise a deal with Czechoslovakia — most probably with BAZ — in the next few weeks for the manufacturing of car gearboxes as part of its ambitious moves into eastern Europe.

Of Skoda's output last year of 183,000 cars, some 50,000 were exported to western markets.

The competition between VW and Renault was intensified last month when Mr Raymond Lévy, Renault chairman and chief executive, visited Prague — along with Mr Pehr Gyllenhammar, chairman and

chief executive of Volvo — as part of a French delegation led by President François Mitterrand and including five French government ministers.

Mr Patocka said earlier this year that Skoda's priorities were to satisfy the Czechoslovak domestic market and to maintain exports to western markets to earn foreign currency and to ensure access to materials from western suppliers.

Skoda was aiming to double car output during the 1990s, said Mr Patocka, in collaboration with a western partner. It was seeking to increase production of its present Favorit range, which was styled by Italy's Bertone, to 250,000 by 1994/95, and was aiming also to double exports to maintain sales in western markets at 25 to 30 per cent of production.

The Czechoslovak motor industry is seen as the most advanced in eastern Europe, and western vehicle makers are also competing to establish joint ventures with BAZ, the Bratislava automotive works, which is seeking to set up a modern assembly venture for light commercial vehicles.

Separately, General Motors of the US is hoping to finalise a deal with Czechoslovakia — most probably with BAZ — in the next few weeks for the manufacturing of car gearboxes as part of its ambitious moves into eastern Europe.

The company is recommending a final dividend of 14 cents a share.

Poor first half result for Straits Trading

By Joyce Quek in Singapore

STRAITS Trading Company (STC), the Singapore trading, investment and property group, yesterday posted poorer half-time results.

Group turnover plunged 41 per cent to \$896.2m (US\$55m) from \$162.3m, and after-tax profits fell to \$52.7m from \$30.5m for the six months to June 30. However, the bottom line was relieved again by extraordinary gains of \$11.3m, mostly from gains on the sale of investments set against write-offs.

The group forecasts that the second half's net profit would approximate those of the first. However, it said the impact of the Gulf crisis on world stockmarkets would affect investment income, a leading source of its revenue.

In 1989, higher dividends and contributions from Malaysian associate companies added \$80.3m to profits. At the midway stage investment income dropped 13 per cent to \$39.9m from \$31.3m in the year-ago period. The earnings per share slipped to 6.2 cents from 6.9 cents in mid-1989. An interim dividend of 4 cents has been declared.

The cash-rich STC had looked forward to new as its strong balance sheet would enable it to respond to investment opportunities. The group's property had good occupancy rates. Its prime real estate buildings in the prime central districts in Singapore and Kuala Lumpur, Malaysia, benefited from the prevailing high rental rates.

The company is recommending a final dividend of 14 cents a share.

Henderson Land up at HK\$1.74bn

By Angus Foster in Hong Kong

HENDERSON Land, a leading Hong Kong property company, has announced a 33 per cent rise in the year to end-June.

The company announced after-tax profits of HK\$1.74m (US\$225m) against HK\$1.31m in last year.

The company is recommending a final dividend of 14 cents a share.

Malaysia redials privatisation line

Lim Siong Hoon on how Kuala Lumpur is speeding up its sell-off plans

T elekom Malaysia, the state-owned telecommunications monopoly, which formally opened its flotation sale last week, marks the start of the Malaysian government's move to shift its privatisation programme into top gear.

As many as 10 of Malaysia's largest agencies and commercial enterprises, from heavy industries to property development, are now the targets for the change-over.

National Electricity Board, the power monopoly, was formed into a company named Tenaga Nasional last month.

This month, two "successor" companies are to be tabled in parliament that will give legal recognition to operate the airports and the Malaysian Railway as business entities.

In common with the establishment of Tenaga Nasional, the successor railway and airport companies provide the transition, and offer the way, to pass ownership from the state into private hands.

The government has also announced that Peremba and Kumpulan Sime, two of its largest commercial enterprises, are to be sold to the civil service management staff as early as December. Peremba is a property group, and Sime a conglomerate whose interests include packaging.

Telekom remains by far the biggest pri-

vatisation deal that has led to an actual divestment, nearly four years since it was given company status.

The sale represents a 24 per cent equity-stake in the group's M\$1.97bn capital share. It will raise M\$2.35m (US\$90m) against M\$3m collected through the Kuala Lumpur Stock Exchange last year.

But no one sees any difficulty in the market's ability to fund the issue. This is because half of the 470.5m shares, offered at M\$5 each, are being privately placed, mostly for long-term investments to state-controlled institutions. Public subscriptions will contribute M\$73.5m of the total offer while an allocation to Telekom's 26,000 employees will raise M\$32.5m.

In comparison three new listing issues in one week in the market recently drew M\$1.1m against the overall goal of M\$1.3bn. The public portion has been underwritten by 24 domestic stockbroking houses and banks, lead by Arab-Malaysian, the country's largest merchant banker.

Telekom's articles permit a foreign stake of up to 25 per cent, equity control and voting rights by each individual or group is limited to 5 per cent. Furthermore, the government is given a veto share and the right to appoint half of the maximum 12-member board.

Under Telekom's articles, equity control and voting rights by each individual or group is limited to 5 per cent. Furthermore, the government is given a veto share and the right to appoint half of the maximum 12-member board.

V 49304 Introducing the German bank that is at home in international finance: WestLB.**WESTDEUTSCHE LANDESBAHN**

Head Office Düsseldorf, Branches, Subsidiaries or representative offices in 30 European countries and in New York, Hong Kong, Melbourne, Moscow, New York, Osaka, Paris, Tokyo, Tokyo, Toronto.



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WestLB

The Westdeutsche Landesbank

September 26, 1990

Commonwealth of Australia

has purchased through a fixed spread bond tender offer

\$176,218,000

of the outstanding principal amount of six issues of its Yankee Bonds

The undersigned acted as exclusive dealer manager for Commonwealth of Australia in this transaction.

Salomon Brothers Inc**Yorkshire International Finance B.V.****£75,000,000**

Guaranteed Floating Rate Notes due 1994

Guaranteed on an unsubordinated basis by



Yorkshire Bank PLC

In accordance with the provisions of the Notes, Notice is hereby given that for the three month period September 28, 1990 to December 28, 1990 the Notes will carry an interest rate of 10.125% per annum with a coupon amount of £18.54 per £100.00 Note.

NatWest Capital Markets Limited

Agent Bank

£150,000,000

Halifax

Building Society

Floating Rate Loan Notes

Due 1996 (Series A)

Interest Rate

15.08%

Interest Period

28th September 1990

Interest Accrual date

28th December 1990

Interest Rate

£ 68.12

Coupon Rate

£ 2.50

Coupon Date

28th March 1991

Credit Policy First Section Limited

Agent Bank

£150,000,000

Halifax

Building Society

Floating Rate Loan Notes

Due 1996 (Series B)

Interest Rate

15.075%

Interest Period

28th September 1990

Interest Accrual date

28th December 1990

Interest Rate

£ 68.12

Coupon Rate

£ 2.50

Coupon Date

28th March 1991

Credit Policy First Section Limited

Agent Bank

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday October 1, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY £ STG US \$ D-MARK YEN
 OX 1000 OX 1000 OX 1000 OX 1000

COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN
	OX 1000	OX 1000	OX 1000	OX 1000		OX 1000	OX 1000	OX 1000	OX 1000		OX 1000	OX 1000	OX 1000	OX 1000
Afghanistan (Afghan) 99.25	52.5271	33.8448	39.3574		Gabon (CFA Fr) 491.25	259.9694	167.5191	189.8550		Pakistan (Pak. Rupee)	42.00	22.2281	14.3222	16.2318
Albania (Lek) 10.213	2.9518	3.4827	3.9471		Gambie (Galed) 15.0132	259.1555	3.1195		Paraguay (Paraguayan) 1.7725	1.210.9623	780.2121	884.2112		
Angola (Kwanza) 56.2710	29.7608	19.1887	21.7472		Germany West (D-Mark) 2.9293	1.5019	1.1424	1.1333	Peru (Soles) 1.0000	121.0000	78.0000	88.0000		
Argentina (Argentine) 10.0526	52.0291	52.4742	47.0064		Germany East (D-Mark) 2.9293	1.5019	1.1424	1.1333	Philippines (Peso) 49.00	25.4073	18.3652	18.5307		
Aruba 3.3694	1.7326	1.1558	1.3094		Greece (Drachma) 111.0000	5.9274	3.9125	4.7268	Poland (Zloty) 165.0000	948.1018	629.0000	707.4637		
Austria (Schilling) 10.405	1.0029	0.7774	0.7875		Greenland (Greenland Króna) 154.3424	69.4675	112.7072		Portugal (Escudo) 1.0000	1.210.9623	780.2121	884.2112		
Azores (Portuguese) 259.60	137.3706	88.5251	100.3265		Hong Kong (HK\$) 14.6555	5.1997	3.5003	3.7471	Puerto Rico (US \$) 1.0000	1.210.9623	780.2121	884.2112		
Bahamas (Bahamian) 1.8995	1.7110	0.6443	0.7302		Iceland (Icelandic) 5.0405	4.5199	2.9213	3.0006	Qatar (QR) 6.0643	3.6328	2.3407	2.6258		
Bahrain (Dinar) 0.7110	0.5762	0.4244	0.2747		India (Rupee) 4.9215	2.5028	1.7820	2.0765	Romania (Leu) 0.7170	0.9250	0.5197	0.5600		
Bahrain (Dinar) 0.7110	0.5762	0.4244	0.2747		Indonesia (Rupiah) 1.5234	0.5000	0.3404	0.3404	Russia (Ruble) 0.7175	0.7544	0.4767	0.5199		
Barbados (Barb. \$) 3.0084	2.0113	1.2968	1.4718		Iran (Rial) 1.5113	0.5000	0.3404	0.3404	Rwanda (Rwanda) 1.5215	1.5215	1.2000	1.2000		
Belgium (Belg. Fr) 60.45	20.6138	23.3623			Iraq (Dinar) 0.4925	0.4925	0.4925	0.4925	Singapore (Singapore) 0.6434	0.6434	0.5222	0.5222		
Belize (B.S.) 3.7870	2.9959	1.2913	1.4495		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	South Africa (Rand) 1.5215	1.5215	1.2000	1.2000		
Benin (CFA Fr) 491.25	259.9694	167.5191	189.8550		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Spain (Peso) 1.5215	1.5215	1.2000	1.2000		
Berlin (Germany) 35.10	2.9234	1.1532	1.3245		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Sweden (Króna) 1.5215	1.5215	1.2000	1.2000		
Bolivia (Boliviano) 6.1539	2.9568	2.5783	2.7302		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Switzerland (Franc) 1.5215	1.5215	1.2000	1.2000		
Bolivia (Boliviano) 6.1539	2.9568	2.5783	2.7302		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Brazil (Real) 1.6516	14.2326	5.2775	6.1545		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
British Virgin Is. 1.8895	1.7049	1.0843	1.1702		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Bulgaria (Lev) 0.5416	2.9250	1.8977	2.1416		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Burkina Faso (CFA Fr) 491.25	259.9694	167.5191	189.8550		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Burundi (Burundi Fr) 312.622	165.4527	104.4063	120.9204		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Cameroon (CFA Fr) 491.25	259.9694	167.5191	189.8550		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Canada (Canadian) 2.1760	1.1515	0.7420	0.6409		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Canada (Canadian) 2.1760	1.1515	0.7420	0.6409		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Chile (Peso) 5.0720	68.2540	43.9564	49.4942		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
China (Yuan) 1.5716	0.8312	0.5329	0.6073		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
China (Yuan) 1.5716	0.8312	0.5329	0.6073		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Chile (Peso) 5.0720	68.2540	43.9564	49.4942		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Colombia (Col Peso) 562.50	252.0173	167.5191	227.5028		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Comoros (Fr) 491.25	259.9694	167.5191	189.8550		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Costa Rica (Colón) 0.5482	2.9250	1.8977	2.1416		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar) 1.5215	1.5215	1.2000	1.2000		
Croatia (Kuna) 29.7127	10.1312	11.4822	11.7355		Iceland (Icelandic) 1.0000	0.5000	0.3404	0.3404	Yugoslavia (Dinar)					

UK COMPANY NEWS

Rosehaugh restructures and reduces commitments

By Vanessa Houlder, Property Correspondent

ROSEHAUGH. the hard-pressed property developer, yesterday announced the resignation of two of its subsidiaries' directors along with steps to restructure the group's management.

The moves are part of its strategy of streamlining its business and reducing its development commitments in an effort to stave off liquidity problems.

The group is now focusing its activities on three subsidiaries, covering its residential, commercial and retail activities, which will sit alongside its associated companies, Rosehaugh, Stanhope, the London Regeneration Consortium and Rosehaugh Greycoat.

"We have substantially simplified the management of

the group and are reverting to our core businesses," said Mr Graham Johnson, a Rosehaugh director.

The two directors were leaving, because "the areas in which they were active were not areas in which we would make significant new investments," he said.

The company announced the resignation of Mr Ian Rowberry, a main board director and managing director of Rosehaugh Corporation, which is involved in central London residential development, although he will act, for the time being, as a consultant. The Corporation's projects and all the other residential activities will now be handled by another subsidiary, the Pelham group of companies.

As part of its efforts to reduce its commitments, Rosehaugh sold its Rosehaugh Heritage subsidiary to Kingfisher, the retailer, for £35m in cash last month.



Godfrey Bradman (chairman) - staving off liquidity problems

Coats Viyella makes triple sale for £6.3m

By Alice Rawsthorn

COATS VIYELLA, the textile group which has been embroiled in on-off bid discussions with Tootal, yesterday announced the sale of three subsidiaries for £6.3m cash.

The three subsidiaries are Stevenson's, a fabric dyer; Wrightwear Fabrics, which makes knitting fabrics; and JK Lace, a lace manufacturer. They have been sold to Rishhaven, which is owned by the subsidiaries' managers and a group of external investors.

Sir David Alliance, chairman of Coats, said the disposals formed part of the group's ongoing strategy of shedding its peripheral interests.

Last week Coats announced the appointment of Mr Neville Bain from Cadbury Schweppes as its new chief executive.

The three companies sold employ about 200 people. They made profits (before tax and finance charges) of £1.4m on turnover of £14.5m last year.

The news of the latest Coats disposal came on the same day as the publication of Tootal's interim results. Coats still holds a 25.9 per cent stake in Tootal, another UK textile group.

Lex pays £9.2m for third Ford main dealership

By Jane Fuller

LEX SERVICE, the distributor of vehicles and electronic components, is buying a Ford car and Iveco Ford truck dealership in Poole, Dorset.

The £9.2m purchase of F English fits in with the group's policy of concentrating on larger dealerships.

Mr John Day, of Lex Retail

Group which operates about 60 dealerships, said the acquisition would have little impact on group gearing, which was less than 50 per cent at the half-year stage.

Last year the English dealership made sales of £40m and a profit of just under £1m. The

net assets are valued at £10.5m. Several small operations were moved on to one large site early this year.

The purchase does, however, come against a background of an 11 per cent fall in UK car sales so far this year and follows fears voiced at the British International Motor Show that

truck sales could be nearly 30 per cent down on 1989.

Mr Day said the acquisition would become Lex's third Ford main dealership.

Lex's first-half results showed a 37 per cent fall in pre-tax profit to £22.2m on turnover of £86.7m (£1bn).

NEWS DIGEST

Reckitt sells Dutch arm for £28.7m

RECKITT & COLMAN, the household, pharmaceutical and food products group, has sold Conimex, its Netherlands-based oriental foods business, to CPC Benelux for £1.95m (£2.7m) cash.

The disposal is part of the programme announced with the acquisition of Boyle-Midway and will be used to reduce Reckitt's indebtedness.

CPC makes food products principally under the Knorr brand-name.

PML Group goes into £608,000 loss

PML GROUP, a USM-quoted designer and maker of ladies' shoes, knitwear and fashion wear, reported a loss of £608,000, against a £655,000 profit for the six months to June 30.

Turnover was £16.84m (£14.46m), with the clothing sector making a £630,000 loss (£65,000) and the retail sector showing a profit of £460,000 (£1m).

Interest costs rose to £286,000 (£31,000) and tax took £130,000 (£20,000). Loss per share came to 8.5p (5.1p earnings).

The directors said a final dividend was unlikely.

The group said the yen decline and the lower spending power of Japanese tourists had affected business.

Strong order book as PCT rises to £0.55m

PCT GROUP, the USM-quoted power tools and lifting and welding equipment company, reported pre-tax profits of £553,230 for the half year to end-June.

The advance from last time's £504,873 came on turnover ahead sharply at 29.94m (£4.82m) and was struck after interest charges of £437,991 (£327,511).

The interim dividend is raised to 2.4p (2.2p), payable

from earnings of 8.3p (7.8p) per 10p share.

Mezzanine Capital up at £13.73

NET ASSET VALUE of Mezzanine Capital Corporation fell from £12.73 to £13.07 per share or £457.8 (£508.2) per unit for the year. Net investment income declined from £3.61m to £1.88m (£394,000).

Capital gains, minus fees, fell to £718,757, against £6.61m, while recovery of invested capital realisation of investments totalled £1.93m (£3.36m).

Cash and short-term investments total £5.6m (£3.82m) and investments in companies £45.89m (£46.45m).

MCC shares rose 4p to 149.1p yesterday.

Maxwell to sell Canada mill shares to Mirror Newspapers

By Raymond Snoddy

MR ROBERT MAXWELL, the publisher, admitted yesterday that he was selling his 26 per cent stake in Donatone Newsprint Mills of Canada to himself.

Maxwell Communication Corporation had suggested on Sunday that the newspaper stake would be sold in a £140m (£7.4m) deal, part of a disposal programme, to a British bank.

Yesterday, Mr Maxwell said the ultimate destination of the stake would be his private newspaper publishing vehicle Mirror Group Newspapers.

The decision was to do little to boost substantially the MCC share price which has been under considerable pressure lately.

A further disposal, the sale of a 20 per cent stake in Quebecor Printing expected to raise to £100m, might also be to Mirror. In this case MCC insists that an "in-house" is only one of the options and that there are claimed to be possible outside purchasers.

Announcements on the latest phase of Mr Maxwell's disposal programme, designed to reduce debt by 21.5bn, which were incurred when buying Macmillan, the US publisher, and three Official Airline Guides - were expected yesterday.

However, MCC said the announcements will be made today.

In addition to the sale of the Canadian newsprint and printing stakes, Mr Maxwell will announce the conditional sale of P F Collier, the US encyclopaedia company, to Langenscheidt, the West Germany encyclopaedia and dictionary publisher, for a total of 307m.

News of a further disposal of a consumer publishing company in a deal worth £100m is expected later this week. The sale will be to a purchaser from outside the industry.

MCC shares rose 4p to 149.1p yesterday.

Watts Blake ahead 4% with Europe offsetting UK fall

By Andrew Jack

RISING DEMAND in continental Europe allowed Watts Blake Beare, the Devon-based ball and china clays producer, to offset disappointing UK sales and lift pre-tax profits by 4 per cent to £1.52m for the six months to June 30.

In spite of poor demand for china clay in the UK, the company said it would not be following the rest of its competitor EGC, which announced 750 redundancies last Friday.

"We have a policy of providing stability and security of employment," stated Mr John Pike, managing director.

Overall turnover rose 18 per cent to £28.5m (£24.54m). There was strong sales growth in West Germany, Italy and Spain, according to Mr Pike, and UK exports grew by 15 per cent to these markets.

US turnover almost doubled to £2.05m (£1.13m), following the first full interim results since the company bought United Clay, which owns clay deposits in Mississippi and Tennessee, for \$4.5m in April 1989.

UK sales, however, fell by 7 per cent to £4.78m (£5.14m). The figures suffered from a slump in demand for ceramic tiles and sanitary ware, combined with growing market penetration from Europe and Brazil.

Falling demand from the paper and fertiliser industries generated disappointing results for the china clay division, according to Mr Henry Cottrell.

However, MCC said the announcements will be made today.

In addition to the sale of the Canadian newsprint and printing stakes, Mr Maxwell will announce the conditional sale of P F Collier, the US encyclopaedia company, to Langenscheidt, the West Germany encyclopaedia and dictionary publisher, for a total of 307m.

The group, which announced the news after the market closed, said that two subsidiaries, both makers of electronic components, made better-than-expected losses.

Vernon Gauging Systems had suffered a shortage of orders and it had also been dis-

covered that local management had sacrificed margins to attract business.

Consequent management provided for in the accounts. Profitability had been restored.

The group is selling the McMurdo reserve battery business to Kembry for £4.7m cash to cut borrowings.

Group turnover declined to £30.76m (£41.97m) and the loss per share was 60.8p (earnings of 19.1p). There is no final dividend.

Newmark falls into the red

By Jane Fuller

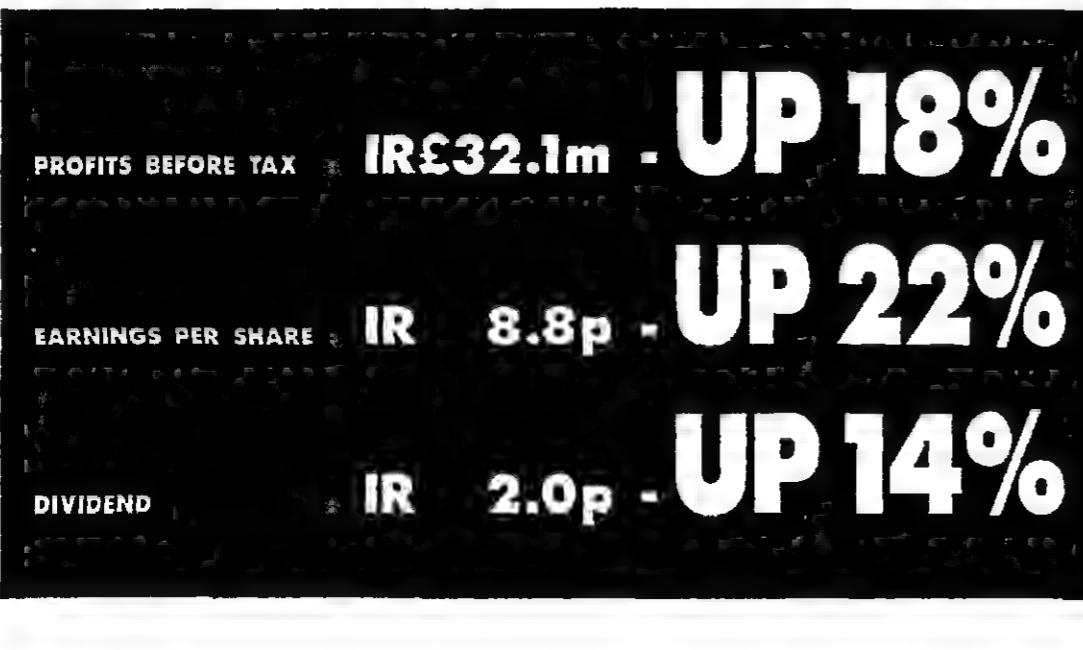
LOUIS NEWMARK, the electronic and precision engineer and watch distributor, slumped to a pre-tax loss of £2.49m in the 18 months to March 31, compared with a profit of nearly £m.

The group, which announced the news after the market closed, said that two subsidiaries, both makers of electronic components, made better-than-expected losses.

Vernon Gauging Systems had suffered a shortage of orders and it had also been dis-



HALF YEAR 1990



"Our strategy of geographic, sectoral and product balance should ensure that the full year results show an improvement on a record 1989."

CRH plc, Belgard Castle, Clondalkin, Dublin 22, Ireland.



£100,000,000

Finance Leasing Facility
for Water and Sewage Equipment

provided by a subsidiary of

National Westminster
Bank PLC

(Lessor)

The undersigned acted as advisor to South West Water on this transaction

BABCOCK & BROWN

September 1990

UK COMPANY NEWS

Margins under pressure at W Canning

By Paul Chesseright, Midlands Correspondent

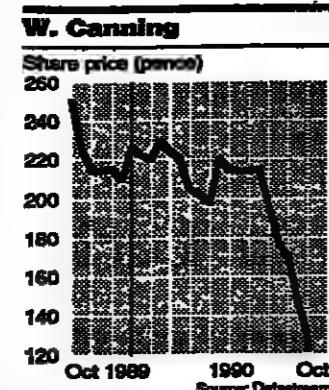
W CANNING, Birmingham-based speciality chemicals and electronic components distribution group, slightly increased interim pre-tax profits from £4.45m to £4.77m but said it was finding market conditions more and more uncertain.

Although total sales during the six months to end-June were £65.6m (£55.31m), operating profits were slightly reduced. It was only the reduction in holding company interest charges and costs not allocated elsewhere in the group, combined with the absence of charges for discontinued activities that had shown up in the 1989 first half, which allowed pre-tax profits to increase.

Generally, Canning is finding its margins under pressure. Mr David Probert, chairman, noted yesterday that business confidence is adversely affected by high interest rates, inflation and the political situation in the Middle East.

The joker in the pack for Mr Probert is the Gulf crisis. While this helps Canning's synthetic lubricants business, it could have an effect on the international economy and lead to a slowdown in trade generally.

As it is, Canning's synthetic lubricant sales doubled in the



Source: Datastream

1990 first half to 250. Italy contributed 57.9% to component sales, against nil in the 1989 first half, following recent acquisitions. But, the market has turned down in Spain and the UK, while east Europe has become more hazardous as buying has shifted from state purchasing companies to individual groups not possessing hard currency.

Two acquisitions during the first half have increased gearing from 12 per cent in December 1989 to 30 per cent in June.

First half earnings per share were 8.5p, compared with 11.4p last time. The interim dividend is raised to 2.9p (1.8p).

Acquisitions double European Leisure

By Nigel Clark

EUROPEAN LEISURE saw pre-tax profit more than double from £2.05m to £5.05m in the year to the end of June. The period saw a number of acquisitions including the takeover of Midsummer Leisure.

The result was achieved in spite of an increase in interest charges to £2.46m (£254,000).

The company said the present year had started in line with internal expectations.

The profit includes a five week contribution of £670,000 from Midsummer Leisure. The company said that progress had been made in selling non-core businesses, raising more than £20m. Further sales were expected in coming months.

Year end gearing stood at 7.2 per cent but disposals had helped it to fall to 6.0 per cent with a further reduction expected.

Discotheques had performed well and venue bars made profit, the company said. Turnover increased to £23.82m (£19.23) including £5.6m from Blackwood Hodge, the floating worldwide distributor of earth-moving equipment. An agreed one-for-seven share offer, valuing Blackwood at about £55m, was announced last week.

Mr Shute, 45, had been watching the chequered fortunes of this famous old name since 1972, when he started work as a salesman for a construction equipment maker.

Before that he had worked at "lots of companies and in lots of factories". His patience had not run to completing the five-year electrical apprenticeship he began on leaving school at 14.

He formed his own company in 1978, "working from home and with my wife doing the typing".

Backed by the building group Beazer, he took on the

No dozer, no bull, in the earth-moving business

Jane Fuller meets Roger Shute of BM, which has made a bid for Blackwood Hodge

M R ROGER Shute, chairman of BM Group, is fond of comparing his construction equipment and building products company with the tortoise whose patient toll beat the hare.

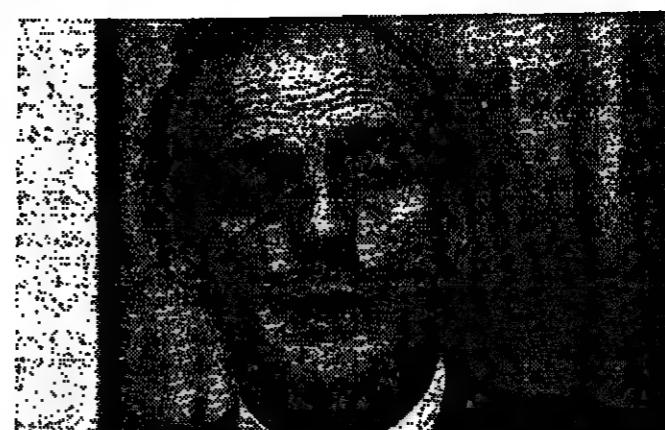
Hard work is the first explanation he gives for BM's strength in markets where complaints are often heard about the ill effects of the UK interest rate squeeze. "If you work 16 hours a day, seven days a week, the slow who works five hours a day, three days a week."

And although he once described himself as being renowned for his impatience, he has learned to good effect, before arriving on Blackwood Hodge, the floating worldwide distributor of earth-moving equipment. An agreed one-for-seven share offer, valuing Blackwood at about £55m, was announced last week.

Taking on Blackwood will not only send gearing to more than 60 per cent, but also add a 26 per cent chunk of new equity. For someone who prides himself on his frankness with BM paper and who regards earnings per share as the top priority, Mr Shute has to be asked whether the recent cash can be justified when many of the markets in which BM operates are in recession.

Last year three quarters of sales were in the UK and the growth there was only 7 per cent. Overseas, the figures doubled. Mr Shute's theory is that as the group has less than a tenth of 1 per cent of the global construction equipment market, it has plenty to go at regardless of patchy demand. "You don't have to be very dynamic to increase a tiny market share."

Apart from propounding the work ethic, he is a stickler for



Roger Shute — a stickler for financial discipline

financial discipline. Those who run the Blackwood subsidiaries will join a routine that includes weekly cash statements — "on my desk at 3.30pm on Friday" — a monthly profit and loss account and balance sheet; and a short report on the local economy, the order book, stocks, any movements by competitors.

He describes himself as "quite miserly" when it comes to spending projects. "They have to submit a capital application form for everything over £250." The figure was fixed in 1983.

It might seem that someone with the strictness of an old-fashioned headmaster would damn his employees, but those who have observed the way he works say he is thought of as tough but fair, and he makes

people feel part of a winning team.

Among the carrots is profit-sharing, in cash, right the way through the workforce.

He tries to be approachable, "walking onto the shop floor and talking to a man about his job, or having a drink with someone after work". His philosophy of treating people as equals goes back to his South Wales roots, where he saw plenty of people suffering from bad management, and partly to his own shop floor memories of what he disliked in those who managed him.

Although he has not met

from three business heroes:

"Lord Weinstock for his cash

management, Lord Hanson for his deal-making and Tiny Rowland for his success in countries where everyone else

fails."

As his group gets bigger, Blackwood's annual turnover was more than twice that of BM — the task of selecting the right "hannigans" becomes all the more important. Typically he has chosen people from the middle management ranks at acquisitions and his small head-office team is populated with accountants.

Semi-seriously he says: "I look for someone with a wife, three children and a big mortgage because he will be ambitious."

He claims to have no great ambitions of his own, "only to grow earnings per share at a rate higher than the average".

But maintaining the record now looks to be more difficult as he is taking on a problem company at a time when its chief markets — Canada, Australia and the US — are at best patchy and at worst in recession.

Mr Roger Pinnington, the chairman with whom Mr Shute negotiated, says that apart from the tougher trading conditions, Blackwood is in need of a culture change that he did not have "the time or the resources to carry out". It is sales-oriented rather than earnings-per-share/balance sheet/run business, which is more disciplined.

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NEWS DIGEST

buy-out attempt founded in May, saw pre-tax profits fall from £5.9m to £4.25m in the six months to June 30.

Turnover, however, plummeted to £12.26m (£33.68). At the operating level, property investment made more at £2.95m (£2.78m) on turnover up at £5.86m (£5.85m), while property trading and development fell to £1.92m (£4.81m) on turnover sharply down at £8.4m (£27.82m).

Earnings dropped to 2.15p (2.79p) per share and the interim dividend is halved to 1.1p.

Rock falls into losses midway

A poor performance by Airtex (UK), its air-conditioning equipment distributor, left Rock in the red at the interim stage.

However, the company said that sales had recovered and it expected to make profits in the current half.

Taxable losses for the component distribution group in the first half of 1990 were £298,000, against profits of £250,000, which included an exceptional credit of £887,000.

Turnover was £4.43m (£3.56m).

There was no contribution from the Energy Technique acquisition which was expected to make a profit in the second half.

Losses per share were 2.54p (4.89p earnings). There was an extraordinary charge of £60,000 as a provision for losses and

costs on the sale of Kingston Lochrie.

Frogmore cushioned by property sales

Frogmore Estates, the property investment and trading group, yesterday reported a 14 per cent drop to £2.25m in pre-tax profits for the year to June 30.

The results were struck after an increase in profits on sales of investment properties to £19.06m (£16.42m).

Pre-tax profits on ordinary activities more than halved to 2.76p (£1.94m). The figure was reduced by a write-down of £2.52m in the estimated net value of trading properties.

Turnover fell to £24.16m (£20.75m).

The company said net assets per share had fallen from 58p to 52p. Earnings per share dropped to 14.8p (27.7p) and a proposed final dividend of 5.4p lifts the total by 1.8p to 13.8p.

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Armour Trust gains 10% to £2.26m

Armour Trust, which makes confectionery and car accessories, increased taxable profits by 10 per cent from £2.05m to £2.26m in the year to April 30.

Turnover rose to £21.24m (£20.82m) with the confectionery and automotive sectors both showing improved sales and profits.

Earnings per 10p share worked through at 31.7p (31.94p). A final dividend of 10.76p (5.6p) lifts the total to 7.5p (7.76p).

Ambrill loss falls to £217,000

Pre-tax losses at Ambrill International, USM-quoted oil and gas company, fell to £217,000 in the first half of 1990, against £287,000, which included an exceptional charge of £250,000.

The result was also helped by a lower interest cost of £14,000 (£17,000). The loss per share was 0.4p (0.5p).

Interest charges limit High-Point rise

Higher interest charges of 1.96m, against 2.61m, limited the growth of annual pre-tax profits at High-Point, the project promotion and consultancy group, to £1.55m. This

was compared with £3.44m, which was struck after an exceptional charge of £227,000.

Turnover grew at a slower rate from £23.5m to £23.8m — while earnings rose 11 per cent to 31.8p (24.12p). The interim dividend is raised to 10p (8p).

Wolstenholme Rink static at £1.8m

Taxable profits at Wolstenholme Rink, the manufacturer of products for printing and allied industries, rose just under 3 per cent to £1.8m in the first half of 1990. Turnover was

£20.9m (£20.5m).

Earnings inched up to 14.8p (14.99p) and the interim dividend is maintained at 8.5p.

Sharp improvement at Arcolectric

A substantial expansion in interim profits was unveiled by Arcolectric (Holdings), the Surrey-based electric and electronic components group.

On sales ahead from £5.3m to

£6.4m, the pre-tax line for the six months to end-June emerged at £271,125 (£128,152).

The interim dividend is maintained at 0.48p, plus a final dividend of 0.56p (0.45p) per share.

Trafford Park lower at £3.07m

Trafford Park Estates, property investment and development company, saw pre-tax profit fall 21.83m to £20.7m in the year to the end of June. The result was in spite of an increase in income from £9.35m to £11.85m.

After tax of 21.19m (£1.36m), earnings per share were 8.82p (5.69p). The proposed final dividend is being held at 1.725p, with a share option, for an unchanged total of 2.575p.

Avenmore shows decline to £25.07m

Avenmore Foods, the acquisitive Irish dairy-based food products and ingredients group, saw a near-10 per cent decline to £25.07m (£25.4m) in taxable profits for the six months to June 30.

The fall from last time's £27.6m came on turnover of £122.2m (£127.27m). Earnings per share worked through at 31.8p (31.8p) and the interim dividend is held at 1.25p.

Churchbury rises 66% to £28.95m

Churchbury Estates, a property investment and development company, reported taxable profit for the year to March 31 up from £5.41m to £25.95m, a rise of 66 per cent.

Only £1.00m came from sales of dealing properties, against a loss of £1.00m.

There was a tax credit of £40,000 (£22,04m charge) for earnings of 72.3p (25.81p).

Camellia advances 29% to £1.32m

Camellia Investments, an investment holding company,

FROGMORE

FROGMORE ESTATES PLC

RESULTS FOR THE YEAR ENDED 30TH JUNE 1990

HIGHLIGHTS

- Total Pre-Tax Profits of £26.1m
- Dividend increased by 11.8%
- Rent Roll up by 40% to £16.8m
- Borrowings of £41m are approximately 20% of shareholders' funds of £209m
- Net Assets per share 523p
- No developments

E Europeans fail to get Moscow oil assurances

By Judy Dempsey in Vienna

SEVERAL EAST European countries will have to turn to the world market for oil supplies after failing to persuade Moscow to release agreed quotas for the rest of the year. This will lead to substantial price rises and cuts in energy consumption in most of these countries.

The pessimistic message was conveyed to Czechoslovak and Bulgarian officials at meetings in Moscow last week.

Furthermore, Czechoslovak officials believe that the Soviet Union cannot cover even half of next year's agreed deliveries of 160 tonnes.

Mr Vaclav Vales, the Czechoslovak deputy prime minister, was told by Mr Stepan Stanov, the deputy chairman of the Soviet Council of Ministers and chairman of the State Foreign Economic Commission, that no deliveries for 1991 had been set.

Mr Vales had wanted to establish how contracts, including oil supplies, would be affected by the dollar clearing system which replaces the transferable rouble as a method of payment and which comes into effect on January 1.

But since the Czechoslovak delegation received no assurances about secure oil supplies, Mr Vales said Prague would consider contacting the Soviet republics directly, a plan which has also been studying. He also suggested that Czechoslovakia could buy 3m tonnes of oil from Tuymen, one of the

Soviet Union's giant oilfields, in exchange for direct participation in the market.

Bulgaria's options are even bleaker, a point which Mr Andrei Lukyanov, the prime minister, raised with Mr Nikolai Ryzhkov, his Soviet counterpart, after talks in Moscow last week.

Again, while there were no assurances about guaranteeing adequate energy supplies to Bulgaria, there was determination by the Soviet authorities to switch to the dollar clearing system to end the rapid deterioration of Bulgaria's economy.

Indeed, Bulgarian officials estimate that the country will be able to meet only half, or up to 7m tonnes, of its oil requirements for next year.

Iraq was due to supply 3m tonnes this year. Instead, Bulgaria will next year receive 1m tonnes of oil from Iran under a barter deal.

The Venezuelan government is discussing the acquisition of three oil refineries in Czechoslovakia, according to a press release from Venezuela's official news agency, writes Joe Mann in Caracas.

The agency referred to a possible deal in a press release covering a meeting in New York City between Venezuela's chief executive, Carlos Andres Perez and Mr Vaclav Havel, the president of Czechoslovakia. Mr Havel said that the two leaders discussed possible Venezuelan oil sales to Czechoslovakia in return for Czech technology.

Zaire cave-in sends cobalt price to nine-year high

By David Blackwell

A CAVE-IN at a large copper and cobalt mine in Zaire's Shaba province yesterday boosted the already soaring price for cobalt on the free market in London to nine-year heights.

The state-owned Kamoto mine, near Kolwezi, was reported to have collapsed on September 18 with no loss of life. A Reuters report at the weekend cited industry sources saying that production of copper would be cut by 10,000 tonnes a month and of cobalt by between 500 and 700 tonnes a month.

Mr Nick French of Wogeo, the London traders, said yesterday that if the reported figures for the cobalt loss were true and the mine was out of production for an undefined period the price direction can only be upwards.

The price reached \$14 a lb.

yesterday after opening at \$12.50 a lb. Six months ago it was \$8 a lb.

Zaire is the biggest single producer of cobalt, at between 6,000 and 10,000 tonnes a year, Mr French said. "If you take the lowest reported figure of the production loss, 6,000 tonnes a year have gone — that's a huge proportion to lose."

The metal is used widely in many products, including superalloys for jet engines and cattle feed. For the past couple of years there has been an annual production shortfall of between 2,000 and 3,000 tonnes of cobalt which has been made up from consumer stocks.

Prices started to rise as the stocks ran out. Consumers have recently been living from hand to mouth, with some deliveries several months late, according to Mr French.

The price reached \$14 a lb.

Coffee agreement extended for one year

By David Blackwell

AFTER TWO weeks of what one delegate described as "a pretty dispiriting performance", the International Coffee Organisation's members agreed in the early hours of Saturday morning to extend the International Coffee Agreement by one year without a price support mechanism.

The agreement will now end in September 1992, giving the world's coffee markets another two years of the free trade that began when the ICO export quota system was dismantled at the beginning of July last year.

Prices since then have fallen by about 50 per cent and producer countries estimate their losses at as much as \$4bn.

The extension had been widely expected in the market and had little price impact. A fall of \$12 to \$55 for January robusta coffee on the London Futures and Options Exchange yesterday was mainly due to the strength of the pound, complicated with chart-based selling and stale long liquidation.

Delegates to the ICO's annual meeting refused to pick up the gauntlet flung down by Colombia on the first day of the talks. Colombia, the second biggest producer, which relies on coffee for 30 per cent of its export earnings, said the need to move towards a new market regulating agreement was urgent — a belief reiterated at the last council meeting on Friday night.

In fact the first week of the talks was written off in the absence of the chief delegate of the US, the biggest consumer, or the chief delegate of Brazil, the biggest producer. When they arrived last week, Mr Joao Rodrigues Cunha, the Brazilian delegate immediately proposed the idea of an extension, scuppering any hope that an export quota system could be revived in the near future.

The consumers were happy to accept an extension, although the US said again that it had not changed its stance on the problems which led to the collapse of the quota system — the two-tier market under which non-member consumers were getting cheap coffee, and the imbalance between arable and robusta.

The lack of a clear policy on coffee from Brazil left the producers with no foundations on which to build a new agreement. They had no option but to accept Brazil's proposal for the one-year extension.

Delegates left the talks reasonably contented, but at the same time they were painfully aware that this time next year they could all be in the same position again.

EC honeymoon over for Spanish farmers

Profits have taken a dive as the community has tried to curb budgetary costs

WHILE FORMULA One racing cars roared around the circuit a few kilometres east of Jerez, presiding for Sunday's Spanish Grand Prix, parties of pickers were completing the grape harvest on the rolling chalky land to the north and west of the town.

It is a painstaking, back-breaking task. Every bunch has to be cut by hand from the old vines and put into a large rubber bucket. Each bucket, holding about 25 kg of grapes, is then carried and emptied into a trailer by tractor to town.

The last time I was in the area was ten years ago. At that time Spain was still adjusting to democratic government after years of dictatorship under Franco and almost everyone was enthusiastic to join the European Community.

The exceptions were extreme left wing groups such as the Syndicate of Country workers, many of whom had been made redundant from farm work and who roamed the countryside setting fire to crops of wheat and the like.

But when Spain joined the EC a couple of years later most of those people found other jobs. Indeed many more left the land as the percentage of the population working on farms fell from over 20 per cent at the beginning of the decade to 12.5 per cent in 1988. Today it is not so much the workers who demonstrate disapproval of their fate as their employers.

After an exciting period at the beginning of the ten year transitional period to full community membership — during which farm production was encouraged to rise by prices that increased by annual steps to community levels — Spanish farm profits have taken a dive. Like the rest of the EC,



By David Richardson

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After an exciting period at the beginning of the ten year transitional period to full community membership — during which farm production was encouraged to rise by prices that increased by annual steps to community levels — Spanish farm profits have taken a dive. Like the rest of the EC,

Spain is now affected by commodity price freezes and budget stabilizing adjustments that reduce prices when community production rises above predetermined levels.

In Andalucia I was told the price of olives had almost halved in the past five years and that for certain had fallen by a third. I was assured, as a result of unbridled Spanish expansion but because of increase in the production of both commodities in Italy and Greece.

It is a familiar story, repeated in other EC countries about their farm products and Spanish farmers are reacting in a similar way. This week another demonstration is planned in Seville. It is probably a pointless exercise and the organisers know it. But as one of them said: "We are being ruined by these policies. Do you expect us to allow that to happen quietly?"

A Seville-based agricultural merchant who supplies merchant and fertiliser to farmers all over Andalucia, one of the most fertile areas in the country and the second largest autonomous region in Spain, described his two dilemmas. "When I advise farmers on how to use the products I supply they ask what they can grow that will show a profit. In order to sell them more chemicals I have to give a positive reply. But I cannot answer them. At present prices there is little or no profit in anything."

And he went on to explain that in spite of all the natural advantages Andalucian agriculture enjoys the growers of citrus fruits, apples and pears and peaches as well as those

who grow cereals and sunflowers were all in a similar situation with production costs rising and commodity prices falling.

But surely the climate of southern Spain together with the good soil and the availability of irrigation from the River Guadalquivir and its many tributaries gave fruit and vegetables an edge over the rest of the EC, I suggested. Indeed it was clear from the changes in cropping patterns in southern horticultural areas that many farmers had expanded in the last ten years and were geared to exporting even more than they had been before Spain joined the Community.

Yes of course we export large quantities of produce, I was told. When we send strawberries or peppers or whatever to France, out of their season, we have no problems. But when French strawberries and peppers are ready for market French customs officials suddenly find that our produce has pesticide residues or noxious diseases and they refuse to allow them across the border.

When trucks are allowed into France in such market conditions it is not unusual for them to be hijacked and burned. It was yet another familiar sounding story and it was hardly surprising that some of those people who had expressed enthusiasm at the prospect of joining the EC ten years ago were now taking a rather more jaundiced view.

I found only one Andalucian farmer who was happy with his lot. An aristocrat from a family of long standing he owned 5,000 hectares on which

Tin producers to cut output

TIN PRODUCING countries have agreed to cut their output by between 5 and 8 per cent in 1991 to reduce the overhang in world stocks, reports Reuters from Cochabamba, Bolivia.

The Association of Tin Producing Countries managed to get Brazil, the world's largest supplier, to accept a production cut for the first time, a breakthrough even though Brazil refused to join the group, preferring to maintain its observer status.

Brazil committed itself to control wildcat mining at Bom Futuro and to reduce the mine's output from 19,000 tonnes this year to 14,000 tonnes in 1991, delegates said.

The ATPC executive committee will not announce the exact percentage of the across-the-board cut until it has been approved by a ministerial meeting here on Monday.

But delegates indicated that the cutback was more than 5 per cent and less than 8 per cent.

Portugal urges relief for backward areas

By Tim Dickson and Patrick Blum in Lisbon

SPECIAL MEASURES are urgently required if Europe's backward regions are to cope with the consequences of international farm reform, according to Mr Arlindo Cunha, Portugal's minister of agriculture.

During an interview in Lisbon Mr Cunha appeared to accept the inevitability of reductions in the European Community's agriculture subsidies as a consequence of the trade talks in the General Agreement on Tariffs and Trade known as the Uruguay Round.

But he emphasised more than once that "the capacity of absorption of farmers across Europe is not the same." Portugal was a case in point, he explained. It had the lowest level of agricultural productivity in the community, with yields on average between a quarter and a fifth of those achieved by farmers in other community countries. About 18

per cent of the national workforce derived their livelihoods from the land, yet agriculture's share of the country's gross domestic product was only 7 per cent. Almost a third of the rural population was illiterate.

In addition to the Iberian country's structural handicaps, Portugal is facing the unwelcome prospect of reduced farm prices and increased competition from outside as it comes more closely into line with the rules of the Common Agricultural Policy.

The so-called "second stage" of the country's 10-year transition period agreed on accession in 1986 — due to begin on January 1 — will involve the almost complete removal of import quotas and tariffs, as well as a progressive reduction in the high guaranteed prices from which local producers have benefited since the days of the former dictator António Salazar.

Mr Cunha said EC farmers

generally must be "realists" and accept that there had to be some negotiation over the current level of world-wide farm subsidies.

"The EC is also an exporter of farm products and if we do not make a deal with our competitors we will not create the minimal conditions for international trade."

On the other hand, he added, "complementary" measures to foster rural development, encourage diversification and boost farm incomes through direct income supports would be urgently needed in the "most affected" regions of the Community.

Mr Cunha said he received strong support for his approach when he raised the matter in Brussels at last week's meeting of the EC Farm Council. At this stage, however, no detailed plans had been discussed.

Mr Cunha said it was also difficult to comment on the 1995-96

Uruguay Round until the EC Commission had made its formal proposal and the detailed impact on individual product sectors becomes clear.

"But at last week's Council — when ministers were as worried about the market situation as at any time in the last five years — there was strong backing for Mr Raymond MacSharry, the Farm Commissioner."

The Commission is due to resume its discussions tomorrow following divisions two weeks ago between Mr MacSharry's supporters and a rival "camp" in Brussels led by the Mr Frans Andriessen, the External Relations Commissioner, and Mr Martin Biermann, the Internal Market Commissioner.

The Commission is due to control wildcat mining at Bom Futuro and to reduce the mine's output from 19,000 tonnes this year to 14,000 tonnes in 1991, delegates said.

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Chicago

BOYABEANS 5,000 bu min; cents/bbl bushel

Closes Previous High/Low

Oct 8044 81776 8130 80440

Mar 8194 82248 8200 81920

May 8224 8454 8400 82250

Aug 8434 8549 8500 84344

Sep 8234 8370 8325 82360

BOYABEANS 60,000 bu cents/bbl bushel

Closes Previous High/Low

Oct 8274 8306 8250 8270

Mar 8239 8285 8230 8235

May 8275 8315 8270 8275

Aug 8410 8425 8400 8410

Sep 8471 8493 8460 8471

BOYABEANS 10,000 bu min; cents/bbl

Closes Previous High/Low

Oct 1743 1758 1752 1743

Mar 1818 1848 1842 1818

May 1847 1875 1870 1847

Aug 1877 1902 1890 1877

Sep 1893 1917 1900 1893

BOYABEANS 20,000 bu min; cents/bbl

Closes Previous High/Low

Oct 1850 1865 1855 1850

Mar 1875 1890 1880 1875

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MAKE IT YOUR BUSINESS TO CHANGE

INDIVIDUALS

- When are you planning to own and manage your own business?
In 1 year 2-3 years 3-4 years 5+ years
- How are you planning to gain ownership of your own business?
Management Buy-out Management Buy-in Start a new business
I need to find out more about the various methods of owning my own business
- For a Management Buy-in, have you identified a target company? Yes No

GETTING INTO BUSINESS

- Do you have a start up idea?
In mind Prepared a business plan Not yet
Already started but need additional capital
- In which industry are you planning to start your business?
In 1 year 2-3 years 3-4 years 5+ years
- Have you put together a management team? Yes No
- When are you planning to start your business?
In 1 year 2-3 years 3-4 years 5+ years

GROWING A BUSINESS

- How are you planning to grow your business?
Acquire another business Develop a new product/market
Change location Or are you growing faster than your finances will allow?
- How much capital do you estimate you will need to fund your growth in the next 2 years?
Up to £100,000 £100,000-£500,000
£500,000-£1m More than £1m

CHANGE OF OWNERSHIP

- Having built up your business do you want to:
Pass it on to the next generation in your family?
Realise some cash as a reward for all your effort but stay involved?
Sell your shareholding? Sell your business?
Sell to the management team, or strengthen the management team in order to sell to them in the future?
- By when do you expect to have achieved these plans?
Over the next year Over the next 2 years Over the next 5 years

LARGE BUSINESS (Turnover £100m+)

- Large businesses face key strategic issues in the 90s concerning shareholder value, the problems of short-termism, and the role of middle management.
3i has prepared several publications which focus on the issues and challenges facing corporate management. Please indicate if you would like to receive a copy of the following:
 Generating Shareholder Value - an in-depth report.
 PLC UK - Corporate Attitudes to Stock Market Valuations - a Survey of 200 Finance Directors.
 Towards the Entrepreneurial & Empowering Organisation - a transcript of a major conference held in association with Tom Peters.

ADVISERS

- If you are a financial or legal adviser to businesses and would like to find out more about 3i and venture capital, please tick this box.

3i Group plc and 3i plc are regulated in the conduct of investment business by the FSA.

LONDON STOCK EXCHANGE

US budget deal cheers London shares

THE FINAL investment quarter of 1990 got off to a brave start on the UK equity market yesterday as prices responded strongly, albeit indirectly, to the agreement at the weekend for a \$500m cut in the US budget deficit over the next five years. However, the gain of 40 points on the FT-SE Index owed much to technical activity in the London futures market, and turnover in equities remained poor.

London market makers, sensing that the political agreement for a cut in the US budget deficit would be regarded on Wall Street as a step towards a reduction in interest rates there, marked share

rise in the December future on the FT-SE contract, which has now replaced the September contract as the hedging instrument against the underlying equity market.

The futures play was slightly misleading, in that the December contract remained throughout the session at a discount to fair value, which taken in future dividend flow and financing costs. The institutions were active in futures, although probably on short-term considerations.

At best the London equity market showed a gain of 4.2 on the FT-SE before beginning to ease back as Wall Street made a slower start than

expected. New York caught fire late in London's day, and UK traders were closing their dealing books as the Dow increased its gain to 40 points midway through the US session.

The final reading showed the FT-SE Index up 4.6 up to 2,486.8, the highest closing level for a week. But Seat saw against 322.2m shares against 408.3m on Friday indicated the singleness of the market. Inter-dealer business again made up a significant part of yesterday's turnover.

Market strategists took a cautious view of the sudden upswing in the market, although several agreed that it showed just how quickly

ties can recover if the outlook in the Gulf or on the US and UK economies improves. For the near term, much depends on Wall Street's progress, and one US house warming in London last night that the New York market might find it difficult to stage a sustained rally at present. And all the while, there is the continuing depressing news from Tokyo.

The FT-SE 100 Index Steering Committee announced after trading hours yesterday that it had decided to remove Poly Peck International from the Index with effect from last night and to replace it from this morning with Delgate.

Market strategists took a cautious view of the sudden upswing in the market, although several agreed that it showed just how quickly

Challenge to pricing hits BT

MUCH OF an early strong showing by British Telecom (BT) was eroded after a statement from Sir Bryan Carnegie, Director General of Ofcom, the telecommunications watchdog, that he was in favour of capping international call charges and increasing competition in the international market. BT shares touched 273p but closed only 4 up on balance at 268p, in spite of big gains elsewhere in the market; turnover in equities reached 2m, well up on normal levels.

Sir Bryan said studies in recent months showed margins on international calls had increased sharply since 1988, instead of being eroded by competition. If he failed to reach agreement on pricing with BT, then the matter might be referred to the Monopolies and Mergers Commission.

Most telecoms specialists said they had expected BT shares to react to the news but many also noted the exceptional strength in Cable & Wireless (C & W) shares, finally 16 higher at 417p on turnover of 1.1m. C & W derives 60 per cent of call revenue from international calls, a much higher percentage than BT.

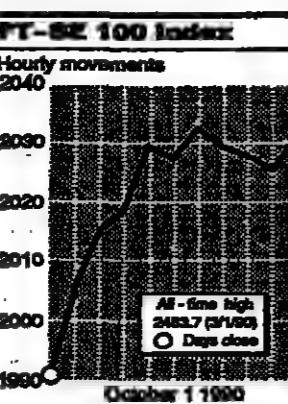
Reuters rebound

Analysts said that a jump of 44 to 788p in the price of Reuters was prompted by a heavy turnover in the American Depositary Receipts (ADRs) on Friday in New York, where the shares rose by sharply because of a squeeze on a short trading position in the market. The stock has underperformed the London market by 30 per cent over the past three months, principally because of delays in the launch of two automatic exchange transaction systems. However, yesterday the shares recorded a healthy 956,000 turnover in London and 750,000 in the first hour of the new session in New York.

Mr Brian Newman of Henderson Crossways said Reuters had stressed its confidence in the two new products. He said performance was in line with current analysts' estimates for 1990 profits of between 2315m and 2340m - up from around 2283m in July.

BAT presentation

An upbeat presentation by the company and a buy recommendation from BZW pushed shares of BAT Industries up 17 to 558p on turnover of 2.5m.



At 9am 2,482.8
At 12pm 2,486.8
Close 2,486.8

October 1 1990

2040
2020
2000
1980

London market makers, expecting Wall Street to start the new session strongly after the news of plans to trim the Federal budget, opened sharply higher yesterday morning. The FT-SE Index gained more than 40 points by mid-session, when the UK market peaked ahead of the final report from New York. The second half of the session saw shares moving more irregularly, closing below the day's best as the Dow Jones Industrial Average moved upwards. But trading hours remained depressed by the continuing low level of equity trading.

Composite insurers made good progress albeit in thin markets. Royal & Sun Alliance (RSA) rose 16 to 215p to "below 21,400m" because the previous forecast had included some recovery which had been negated by the downturn in the economy. He remained confident that the 1991 figures would not be management affected.

Waste management stocks were notable for activity in Leigh Interests rather than Caird. Sector investors are beginning to realise that Leigh offers a better option than Caird, said a leading analyst. Since last month's agreed share exchange offer for H T Hughes, the Leigh share price has weakened from 309p but it rallied yesterday to close up 5 to 326p.

Caird traded more quietly largely owing to Seven Trent Water being unable to purchase stock of its target, having reached the maximum allowed under Takeover Panel rules. Some arbitration and other buying was noted but Caird dipped 8 to 326p as against the Seven offer of 310p. The identity of Friday's buyer of a nearly 1 per cent stake, reportedly conducted by Cazenove, was awaited.

Standard Chartered picked up strongly after the marked weakness that occurred last week amid worries that the group's dividend could be in jeopardy; the shares ended a net 17 higher at 239p after good turnover of 2.1m.

Barclays rose with the market, closing 11 up at 321p on 3.8m and NatWest added 10 at 244p after Rod Everett, bank analyst with US investment bank Goldman Sachs described the shares as "oversold."

NEW HIGHS AND LOWS FOR 1990

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Continued on next page

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OFFSHORE AND OVERSEAS												BERMUDA ISD RECOGNISED												CANADA ISD RECOGNISED												GUERNSEY (ISD RECOGNISED)											
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CANADA											
Sales	Stock	High	Low	Clos	Chng	Sales	Stock	High	Low	Clos	Chng
32,000	1,000	32.5	31.5	32.0	+0.5	400 Scott C	32.5	33.5	32.5	32.5	+0.5
1,000	100	31.5	30.5	31.0	+0.5	4010 Belgrave Can	31.5	32.5	31.5	31.5	+0.5
1,000	100	30.5	29.5	30.0	+0.5	4020 Laval G	30.5	31.5	30.5	30.5	+0.5
1,000	100	30.0	29.0	30.0	+0.0	4025 Laval A	30.5	31.5	30.5	30.5	+0.5
1,000	100	29.5	28.5	29.5	+0.5	4030 Logue C	31.5	32.5	31.5	31.5	+0.5
1,000	100	29.0	28.0	29.0	+0.0	4035 MDC B	31.5	32.5	31.5	31.5	+0.5
1,000	100	28.5	27.5	28.5	+0.5	4040 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	28.0	27.0	28.0	+0.0	4045 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	27.5	26.5	27.5	+0.5	4050 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	27.0	26.0	27.0	+0.0	4055 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	26.5	25.5	26.5	+0.5	4060 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	26.0	25.0	26.0	+0.0	4065 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	25.5	24.5	25.5	+0.5	4070 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	25.0	24.0	25.0	+0.0	4075 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	24.5	23.5	24.5	+0.5	4080 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	24.0	23.0	24.0	+0.0	4085 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	23.5	22.5	23.5	+0.5	4090 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	23.0	22.0	23.0	+0.0	4095 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	22.5	21.5	22.5	+0.5	4100 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	22.0	21.0	22.0	+0.0	4105 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	21.5	20.5	21.5	+0.5	4110 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	21.0	20.0	21.0	+0.0	4115 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	20.5	19.5	20.5	+0.5	4120 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	20.0	19.0	20.0	+0.0	4125 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	19.5	18.5	19.5	+0.5	4130 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	19.0	18.0	19.0	+0.0	4135 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	18.5	17.5	18.5	+0.5	4140 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	18.0	17.0	18.0	+0.0	4145 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	17.5	16.5	17.5	+0.5	4150 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	17.0	16.0	17.0	+0.0	4155 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	16.5	15.5	16.5	+0.5	4160 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	16.0	15.0	16.0	+0.0	4165 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	15.5	14.5	15.5	+0.5	4170 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	15.0	14.0	15.0	+0.0	4175 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	14.5	13.5	14.5	+0.5	4180 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	14.0	13.0	14.0	+0.0	4185 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	13.5	12.5	13.5	+0.5	4190 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	13.0	12.0	13.0	+0.0	4195 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	12.5	11.5	12.5	+0.5	4200 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	12.0	11.0	12.0	+0.0	4205 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	11.5	10.5	11.5	+0.5	4210 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	11.0	10.0	11.0	+0.0	4215 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	10.5	9.5	10.5	+0.5	4220 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	10.0	9.0	10.0	+0.0	4225 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	9.5	8.5	9.5	+0.5	4230 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	9.0	8.0	9.0	+0.0	4235 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	8.5	7.5	8.5	+0.5	4240 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	8.0	7.0	8.0	+0.0	4245 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	7.5	6.5	7.5	+0.5	4250 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	7.0	6.0	7.0	+0.0	4255 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	6.5	5.5	6.5	+0.5	4260 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	6.0	5.0	6.0	+0.0	4265 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	5.5	4.5	5.5	+0.5	4270 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	5.0	4.0	5.0	+0.0	4275 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	4.5	3.5	4.5	+0.5	4280 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	4.0	3.0	4.0	+0.0	4285 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	3.5	2.5	3.5	+0.5	4290 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	3.0	2.0	3.0	+0.0	4295 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	2.5	1.5	2.5	+0.5	4300 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	2.0	1.0	2.0	+0.0	4305 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	1.5	0.5	1.5	+0.5	4310 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	1.0	0.0	1.0	+0.0	4315 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	0.5	-0.5	0.5	+0.0	4320 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	0.0	-1.0	0.0	+0.0	4325 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	-0.5	-1.5	-0.5	+0.0	4330 Mac Kenna	30.5	31.5	30.5	30.5	+0.5
1,000	100	-1.0	-2.0	-1.0	+0.0	4335 Mac Kenna	30.5	31.5	30.5	30.	

Gold	2.07	0.02	Non-deliverable exchanges and are not tradable at prices, if possible, of Deliverable spot prices and Ex dividend, no Ex script open, or Ex right or Ex all.
Gold	1.27	0.13	
Gold	3.85	—	
Gold	1.27	0.06	
Gold	4.65	0.02	

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4pm prices October 1

Continued on Page 47

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NYSE COMPOSITE PRICES

12 Month High Low Stock Dr. Vol. E 1000 High Low
Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices October 1

HOLIDAY COMPANIES!

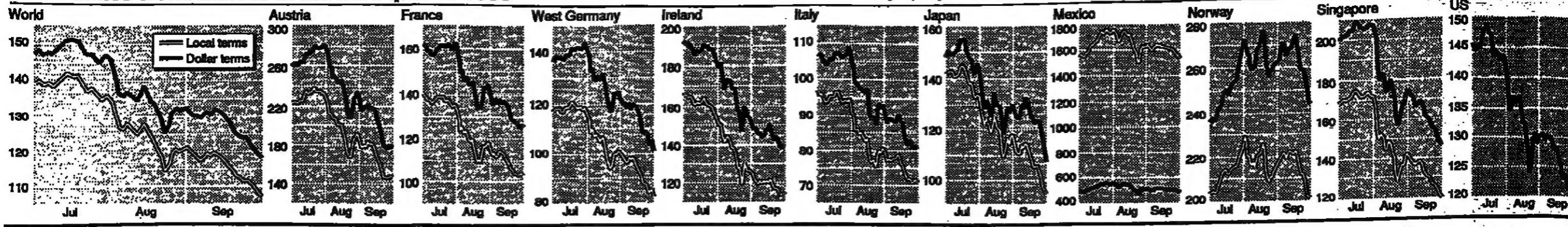
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FT-Actuaries World Indices in the third quarter 1990



AMERICA

Conciliatory gestures prompt rally in Dow

Wall Street

CONCILIATORY statements by President Bush and Iraqi President Saddam Hussein prompted a stock market rally yesterday as the prospect of war in the Gulf started to recede and oil prices fell, writes Karen Zager in New York.

The Dow Jones Industrial Average was up 63.36 at 2,615.84, its biggest gain since August 27. Trading on the New York Stock Exchange was heavy, with 202.2m shares changing hands. The morning surge in the DJIA triggered the New York Stock Exchange's downtrack rule restricting computer-driven programme buying. On Friday, the Dow closed up 25 at 2,452.48 on heavy volume.

EUROPE

Bourses stage technical rally in thin volume

BOURSES moved up on the US budget pact, hopes for world interest rates and on technical considerations, writes Our Markets Staff.

FRANKFURT put on 6.4 per cent as the Bundesbank's average bond yield fell two basis points to 9.19 per cent. The DAX index closed 85.84 higher at 1,430.73 after a 30.25, or 5.3 per cent gain in the FAZ at mid-session. Volume remained low at DM4.8m after DM4.7m.

But the rise seemed to have much to do with technicalities, and little to do with fundamentals. "It was not a normal atmosphere; no-one was laughing, nobody really participated," said Mr Jens Wielcking of Merck Finck in Düsseldorf. He thought that short covering from the Deutsche Termin-

traded options was the main factor.

The gains were broadly-based, with the Standard & Poor's 500 index up 4.83 at 314.93. On the big board, advancing issues led those declining by 1,122 to 432.

The equity market also received some support from the Federal budget agreement at the weekend and a deficit reduction package.

The rally in equities carried into the bond market, which opened on a muted note but moved sharply higher by the early afternoon, when the treasury's well-heeled long bond was quoted 1/8 higher for a yield of 8.83 per cent.

Oil prices tumbled with traders taking profits for the first time in two weeks. In late trading November crude oil was

quoted \$2.42 lower at \$37.05 a barrel after posting modest gains at the start of trading.

As oil futures fell, oil service companies retreated. Helmerich & Payne, a contract drilling company, dropped 1/8 to \$23.40 and Rowan lost 1/8 to \$23.40. Oil service companies were also hit with Halliburton sliding 1/8 to \$49.50, Dresser Industries 1/8 to \$18.25 and Schlumberger by 1/8 to \$59.

Shares in oil producing companies were mixed, with Texaco down 1/8 to \$80.40, Exxon up 1/8 to \$84.90 and Amoco 1/8 lower at \$86.50.

Yesterday's decline in gold prices depressed gold stocks. Axa lost 1/8 to \$47.70, Newmont Mining lost 1/8 to \$39.40 and Baticle Mountain Gold moved 1/8 lower to \$39.

Consumer products shares and mining stocks were both up more than 1 per cent and transportation issues gained 1/8 to 3/8 per cent.

Compania QUITACO might acquire some

Monsanto added 1/8 to \$41 after an analyst at First Boston upgraded his investment rating for the stock and increased his 1991 earnings projections.

Blue chip issues were very active, with Philip Morris gaining 1/8 to \$47.50, General Electric rising 1/8 to \$56.30, PepsiCo adding 1/8 to \$24.40 and AT&T improving 1/8 to \$34.30.

Waste Management moved 1/8 higher to \$34.40 in heavy trading, although an environmental services analysis downgraded their investment rating of the company's Chemical Waste Management subsidiary.

Over-the-counter stocks also surged with the NASDAQ Composite up 10.14 at \$34.65.

Sun Microsystems jumped 1/8 to \$34 on reports that S3 Compaq might acquire some

that redemptions were forcing domestic unit trusts to sell hung over the market.

Peugeot, due to announce its interim results today, rose FF17.42, while Thomson-CSF lagged behind the market, adding only FF1.01 to FF110.11 following last week's fall in net attributable profit.

MILAN followed the other bourses higher, with the Comit index rising 5.01 to 562.58.

The gains came in spite of a capital gains tax and the forced auction of Lombardini share holdings. The tax, introduced at the weekend, was expected to weaken the market in the near term because it would take money out of the system.

Banks supported the shares of companies such as General and Montedison auctioned by Lombardini, the securities house declared insolvent last week. Generali rose L100 to L135.20 and Montedison gained L1 to L121.11.

AMSTERDAM jumped 2.3

per cent in a technical reaction to last week's slump and was not supported by an increase in volume. The CBS Tendency index rose 2.1 to 945.5.

There was isolated buying of defensive stocks such as Unilever which rose Fl 4.00 to Fl 137.60 and Ahold which added Fl 1.90 to Fl 124.40.

ZURICH rose in thin trade, the Crédit Suisse index adding 1.2, or 3.4 per cent to 45.3.

Roché certificates rose SFr110 to SFr360 as stories began to circulate about Accutane, a drug which is said to prevent

cancer, and denials that Mr Werner Rey planned to sell his stake in Astra, the services company, saw the latter down from an intraday peak of SFr1,000 to SFr555 on the net gain of SFr23 on the day.

COPENHAGEN saw Hafnia Holding rise DKr25 to DKr80 after offering to pay DKr1,000 each for any new shares issued by Baltic Holding, in which it has a 32.7 per cent holding.

Baltic rose DKr60 to DKr10.00 in BRUSSELS, Société Générale de Belgique eased EBF10 to EBF2,020 after Mr Carlo de Benedetti said he wanted to sell the rest of his holding.

ATHENS, which had been

shut by strike action since

Tuesday, dropped 5.9 per cent, as the general index lost 67.84

to 1,024.46.

The fall yesterday came in spite of reports that the finance ministry was said to be considering measures to support the stock market, which prompted a strong rally on both the bond futures and cash markets. The measures were reported to include easing margin trading restrictions, limiting trading hours on the futures market and encouraging institutions to lend greater support to the market.

Stockholm chickens come home to roost

Robert Taylor explains why Swedish equities have the jitters

LAST WEEK, Stockholm's performance was the worst of any stock market in the world. Bounded down by troubles in the UK property industry, translated into the Swedish financial sector, the Affärsvärlden general index dropped by 143 per cent, the biggest fall on record and much grimmer than the setback in October-November 1987 after the Wall street crash.

Yesterday the bourse staged an apparently strong recovery, with a 5.1 per cent improvement in the index, which was the best performance of all the European stock markets except Frankfurt. This stemmed in part from a belief that, for three of Sweden's larger financial investment companies, last week's troubles were coming to a satisfactory conclusion.

Perhaps last week's panic was an overreaction. But it would be wrong to believe the feverish instability on the Swedish bourse is at an end. A day's trading is a long time on the stock market, and it has had some difficult days since Saddam Hussein's occupation of Kuwait on 2 August; over those two months, the Swedish bourse index had dropped by 34 per cent until yesterday's recovery.

Last week's sudden and dramatic deterioration of the Stockholm bourse came, then, as an added shock to those who looked with admiration on its bullish achievements, following its emergence in

the middle 1980s, after deregulation, to become one of the best performers in the world.

But the troubles that hit the market so hard in September are more than just an understandable response to the events in the Gulf and other fears shared by stock markets across the world.

Sweden has its own internal troubles, reflected in a stock market slide from mid-summer, which have been compounded by the impact of this autumn's international anxieties. Deregulation provided the impetus for its rise, but it has also had painful consequences.

The period of liberation brought a feeling of euphoria onto the Stockholm bourse, its market value jumped from SKr285bn in 1985 to SKr744bn last year. And while domestic turnover was much less dramatic, as many investors preferred to trade in shares in Sweden's blue-chip companies elsewhere, observers still say that there was a kind of delirium on the bourse in the 1980s: this was the decade which saw the rise of the finance companies, like Nyckeln, Gamlestaden and Infina, which triggered last week's crisis of confidence in their perception by banks and institutional investors.

The sobering of the bourse also stems from worrying signs of a sharp deterioration in Sweden's macroeconomic outlook. The latest forecasts suggest that, in 1991,

Sweden will suffer from a sizeable drop in its industrial investment, a huge balance of payments deficit amounting to over 4 per cent of its gross domestic product, a zero trade balance, soaring wage and price inflation and an actual drop in its economic growth rate. In short, the country is heading for a rough landing in the midst of a costs crisis.

None of this is likely to improve the atmosphere on the stock market. Indeed, cripplingly high interest rates look like remaining Sweden's main line of defence in containing monetary pressures, even though they are hitting the property market hard and precipitating a sharp increase in loan losses.

A growing number of listed companies are also reporting poorer than expected results while blue-chip like Electrolux, Volvo, Saab-Scania, SKF and Trelleborg have been underperforming. However, some of last week's big losers, like the construction company Skanska, improved strongly yesterday, while demand for Ericsson and Astra shares remains buoyant.

In recent years the Stockholm bourse often seemed insulated from the realities of the wider economy but now its chickens have come home to roost. There has been an unsettling convergence between the stock market and the country's economic performance.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 1 1990						FRIDAY SEPTEMBER 28 1990						DOLLAR INDEX			
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Dm Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1989 High	1990 Low	Year ago (approx)
Australia (79)	125.45	+0.1	108.28	117.22	108.38	-0.8	7.04	126.30	110.32	108.02	125.31	125.85	126.01			
Austria (19)	126.01	+3.5	145.95	150.04	149.95	+2.8	1.52	127.65	107.08	126.63	126.02	126.25	126.25			
Belgium (61)	130.04	+1.9	102.04	112.52	102.97	+1.1	1.51	127.65	101.09	103.95	101.53	102.02	124.65			
Canada (119)	128.38	+0.7	100.72	111.07	103.53	+0.3	3.74	127.51	103.90	111.42	103.81	103.81	125.51	151.17		
Denmark (55)	128.00	+0.1	102.00	112.21	102.21	+0.1	1.51	127.51	103.90	111.42	103.81	103.81	125.51	151.17		
Finland (26)	104.59	+0.1	97.50	100.86	98.55	+0.1	3.17	127.51	103.90	111.42	103.81	103.81	125.51	151.17		
France (122)	130.20	+3.2	102.16	112.08	105.01	+0.2	1.50	127.20	102.25	107.78	102.25	102.25	125.74	151.74		
West Germany (92)	107.05	+0.4	64.62	93.34	88.98	+5.98	2.24	127.17	98.34	102.15	102.71	102.71	125.85	126.72		
Hong Kong (48)	114.06	+1.1	89.57	96.72	92.02	+1.1	5.80	127.02	82.02	89.23	88.59	89.15	124.43	101.05		
Ireland (17)	128.24	+0.1	105.00	120.30	112.31	+1.1	1.41	127.02	110.61	112.87	113.97	113.97	125.85	126.85		
Italy (17)	125.24	+0.1	105.00	120.30	112.31	+1.1	1.41	127.02	110.61	112.87	113.97	113.97	125.85	126.85		
Japan (454)	108.55	+1.8	83.13	113.43	92.23	+2.8	0.92	108.36	85.75	94.70	88.24	94.70	125.51	126.72		
Malaysia (35)	183.16	+0.1	142.72	158.50	147.74											